CONROY
DIAMONDS AND GOLD P.l.c.

Conroy Diamonds and Gold P.l.c.

Annual Report and Financial Statements 2005

CONROY
DIAMONDS AND GOLD P.l.c.

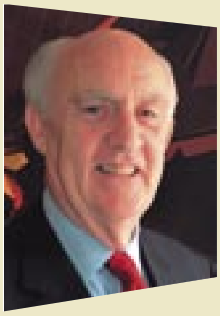
CONROY DIAMONDS AND GOLD P.l.c.
FINANCIAL STATEMENTS

31 May 2005

Together with Directors' and Auditors' Reports

Index

CHAIRMAN'S STATEMENT



Dear Shareholder

I have great pleasure in presenting your Company's Annual Report and Financial Statements for the twelve months ended May 31 2005. The year has brought continued exploration success. The Company has doubled the number of gold targets on its licences and is now well down the road towards establishing a new gold province.

The ten new gold targets lie within a 20km^2 area in the Armagh-Monaghan Gold Belt and also within one of the three areas identified by SRK Consulting as being highly prospective. These three areas relate to intersections of major deep-seated lineaments and the Orlock Bridge Fault, itself a major geological structure. Such lineaments, are of particular importance, because major mineral deposits elsewhere in the world are often found on or near such structures.

Approximately 1,000 soil samples have been collected over the new targets and analysed for gold content. Individual gold values of up to 739ppb, 434ppb, 267ppb, 222ppb and 178ppb were reported from separate anomalies. These are very high values when viewed against a normal background level of less than 4ppb and where values over 10ppb are considered anomalous. The targets are up to half a kilometre in length.

Your Company's regional exploration strategy is to identify areas of gold anomalism through regional soil sampling, followed up by a combination of deep overburden sampling, trenching and drilling. This strategy has led to significant gold discoveries in the Longford-Down Massif indicating the potential for it to become a new gold province.

The latest discovery by your Company in the Armagh-Monaghan Gold Belt which extends over only a small part of the Massif, is a new gold bearing structure east of Tullybuck-Lisglassan in County Monaghan. This resulted from closely spaced deep overburden and bedrock sampling. The structure, which is extensive, is a linear feature which extends 250m along strike and is open in both directions.

In addition to the discoveries in the Armagh-Monaghan Gold Belt, two mineralised zones 400m apart have been outlined at Slieve Glah in County Cavan, 35 miles to the southwest. Although exploration there is still at an early stage, initial results suggest excellent potential for further gold discoveries in that part of the Longford-Down Massif.

All of the gold discoveries in the Massif are spatially related to the Orlock Bridge Fault and are seen to be structurally controlled. Slieve Glah was identified as a target because a major strike swing of the Orlock Bridge Fault occurs at that location and this may have created a dilation zone. Such structures are significant as they may be associated with substantial tonnage of mineralised rock.

Under a Scheme of Arrangement the Company's diamond interests have been transferred to Karelian Diamond Resources Plc ("Karelian"). As consideration for this transfer Karelian issued 10,256,639 Ordinary Shares in that company to the shareholders of the Company on the basis that for every 6 Ordinary Shares held by a member of the Company, that member received 1 Ordinary Share in Karelian. The Scheme of Arrangement was approved by shareholders on 8 July 2004 and approval was also given, subject to sanction by the High Court, for the share premium account to be reduced by €1,025,000, that being the book value of the diamond interests transferred. On 26 July 2004 the High Court sanctioned the Scheme of Arrangement and confirmed the reduction of the share premium account.

Appointment of broker and nominated advisor

City Capital Securities Limited, a part of City Capital Corporation (3C), has been appointed as your Company's Broker. John East & Partners Limited have been appointed as Nominated Advisor. I have great pleasure in welcoming both parties and look forward to working with them in developing the financial status and recognition which your Company's achievements on the ground merit.

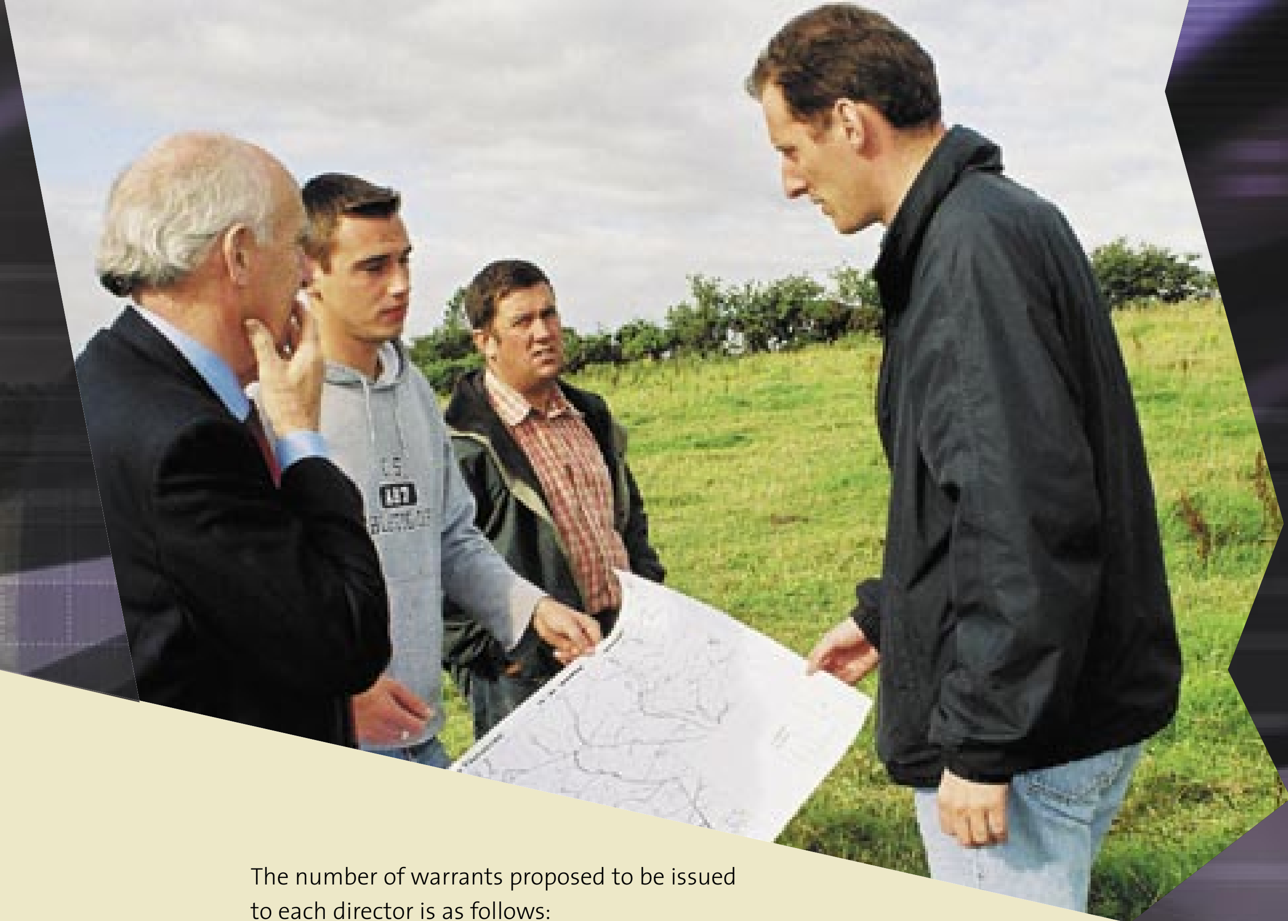
Finance

During the course of the financial year professional mining investor Mr Bruce Rowan personally bought 13.9% of the share capital of your Company through a placement of shares at 2.50p each, together with 20,000,000 warrants exercisable at 3.75p per share. Mr Rowan owns a total of 10,450,000 shares, 14.61 per cent of the ordinary share capital. The funds raised (£250,000/€375,000) contributed to your Company's working capital. I find it extremely gratifying that someone of Mr Rowan's experience and success in the mining industry has made such a significant personal investment in the Company and I welcome him as a substantial shareholder.

The directors have considered the build-up of current liabilities on the balance sheet. These liabilities arise mainly from the accrual of unpaid directors' fees and remuneration over a number of years. By foregoing payment of their fees and remuneration, the directors effectively allowed the Company's exploration work on the ground to continue, even during times when capital raisings via the Stock Exchange were extremely difficult.

The directors have indicated their intention to waive their entitlement to all amounts accrued up to 31 August 2005. The amount of such accruals included in creditors at 31 May 2005 was €1,330,974 and at 31 August 2005 was €1,422,782 (£961,656).

After careful consideration, and discussions with the Company's advisors, the Board has decided, subject to ratification by the shareholders at the Annual General Meeting, to issue a total of 49,064,190 warrants to the individual directors for nil consideration exercisable over 10 years at a subscription price of €0.037 (Stg2.5p per share). A resolution to this effect has therefore been included in the agenda for the AGM.



The number of warrants proposed to be issued to each director is as follows:

Name of Warrant Holder	Number of Warrants
R.T.W.L Conroy	21,364,493
M.T.A Jones	13,839,858
J.P Jones	8,058,129
P Conroy	1,450,427
L.J Maguire	1,450,427
H.H Rennison	1,450,427
M.E Power	301,032
Estate of H.B Knott	1,149,395

I welcome this action by the directors as it represents a strong vote of confidence in your Company and its prospects.

In the light of the excellent exploration results achieved to date, your directors are considering how best to fund your Company's activities going forward. Options being studied include joint venture and farm-out, as well as other arrangements as may be appropriate for advancing the interests of your Company.

Auditors

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

Directors, Consultants and Staff

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

Future Outlook

The demonstration of the widespread occurrence of gold on your Company's acreage in the Longford-Down Massif in Ireland and its potential to become a new gold province is a major achievement which augers well for the future of your Company.

Richard Conroy

Professor Richard Conroy
Chairman

COMPANY INFORMATION

Directors

Professor Richard Conroy
*Chairman**

Maureen T.A Jones
*Managing Director**

James P. Jones FCA
*Finance Director**+

Louis J. Maguire
*Non-Executive Director**+§

Michael E. Power
Non-Executive Director§

Dr. Pamela Conroy
Non-Executive Director§

Henry H Rennison
Non-Executive Director+§

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

Company Secretary and Registered Office

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

Auditors

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2

Registrars

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

Nominated Adviser

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

Broker

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

Dublin Stockbrokers

Dolmen Butler Briscoe
Dolmen House
4 Earlsfort Terrace
Dublin 2

Legal Advisers

William Fry Solicitors
Fitzwilton House
Wilton Place
Dublin 2

Roschier-Holmberg
Keskuskatu 7A
00 100 Helsinki
Finland

Head Office

Conroy Diamonds and Gold P.l.c
10 Upper Pembroke Street
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Tel: 353-1-661 8958
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For further information visit
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www.conroydiamondsandgold.com

or contact:

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

Left to Right: Henry H. Rennison, James P. Jones, Dr. Pamela Conroy,
Professor Richard Conroy, Louis J. Maguire, Michael E. Power, Maureen T.A. Jones

DIRECTORS' REPORT

for the Year Ended 31 May 2005

The Directors present their annual report, together with the audited financial statements of Conroy Diamonds and Gold Plc, for the year ended 31 May 2005.

Principal Activities and Business Review

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

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

The Company had also acquired claim reservations in Finland which have diamond prospects and had carried out an exploration programme there. During the year the diamond interests were de-merged into another company, Karelian Diamond Resources plc, under a Scheme of Arrangement approved by the High Court.

Future Development of the Business

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

Results for the Year and State of Affairs at 31 May 2005

The profit and loss account for the year ended 31 May 2005 and the balance sheet at that date are set out on page 12 and 13 respectively. The Company recorded a loss for the financial year of €513,247 (2004 – €325,726). Having accounted for the loss, the net proceeds of a share issue which raised €359,542, and the reduction of the share premium account under the Scheme of Arrangement for the de-merger of the diamond interests, the shareholders' funds decreased to €4,612,413 at 31 May 2005 from €5,791,118 at 31 May 2004.

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

Important Events since the Year End

Subsequent to year end, the directors considered the financial position of the Company and in particular the level of current liabilities at balance sheet date which mainly arise from the accrual of unpaid directors' fees and remuneration since incorporation. The relevant individual directors have indicated their intention to waive their entitlement to all amounts accruing up to 31 August 2005. The amount of such accruals included in creditors at 31 May 2005 was €1,330,974 [note 10] and at 31 August 2005 was €1,422,782.

After careful consideration, and discussions with the Company's advisors, the Board has decided, subject to approval by the shareholders at the Annual General Meeting, to issue 49,064,190 warrants to directors for nil consideration excisable over 10 years at a subscription price of €0.037 (Stg2.5p per share).

Health and Safety at Work

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

Directors

The Directors who served during the year are as follows:

R.T.W.L. Conroy	P. Conroy
J.P. Jones	L.J. Maguire
M.T.A. Jones	M. E. Power
H.H. Rennison	

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

Directors' and Secretary's Shareholdings and Other Interests

The interests of the Directors and Secretary, all of which were beneficially held, in the ordinary share capital of the Company at 31 May 2004, 31 May 2005 and 31 October 2005 were as follows:

	At 31 May 2004		At 31 May 2005 and 31 October 2005	
	Ordinary Shares of €0.03 Each	Options	Ordinary Shares of €0.03 Each	Options
R.T.W.L. Conroy	3,800,010	2,100,000	3,800,010	2,100,000
M.T.A. Jones	755,010	1,150,000	755,010	1,150,000
J.P. Jones	350,010	825,000	350,010	825,000
H.H. Rennison	330,010	50,000	330,010	50,000
P. Conroy	500,010	125,000	500,010	125,000
L.J. Maguire	310,010	50,000	310,010	50,000

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

Directors	At 31 May 2004	Granted During Year	At 31 May 2005	Price €	Expiry Date
R.T.W.L. Conroy	1,000,000	-	1,000,000	0.2539	4 December 2010
R.T.W.L. Conroy	500,000	-	500,000	0.08	14 March 2013
R.T.W.L. Conroy	600,000	-	600,000	0.10	26 November 2013
M.T.A. Jones	325,000	-	325,000	0.2539	4 December 2010
M.T.A. Jones	375,000	-	375,000	0.08	14 March 2013
M.T.A. Jones	450,000	-	450,000	0.10	26 November 2013
J.P. Jones	275,000	-	275,000	0.2539	4 December 2010
J.P. Jones	275,000	-	275,000	0.08	14 March 2013
J.P. Jones	275,000	-	275,000	0.10	26 November 2013
H.H Rennison	50,000	-	50,000	0.2539	4 December 2010
P. Conroy	125,000	-	125,000	0.2539	4 December 2010
L.J. Maguire	50,000	-	50,000	0.2539	4 December 2010

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

Substantial Shareholdings

So far as the Board is aware, no person or company, other than the Directors' interests disclosed above and the shareholders listed below, held 3% or more of the issued ordinary share capital of the Company at 31 May 2005.

Name	Number of Shares	%
Gartmore Fund Managers Limited	4,454,000	6.23
Mr Bruce Rowan	10,450,000	14.61

Political Donations

There were no political donations during the year.

Books of Account

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

Directors' Responsibility Statement

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Acts, 1963 to 2005. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors

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

On behalf of the Board

R.T.W.L. Conroy
Director

J.P. Jones
Director

15 November 2005

INDEPENDENT AUDITORS' REPORT

to the Shareholders of Conroy Diamonds and Gold Plc

We have audited the financial statements on pages 12 to 23.

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

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and Irish Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibilities, as independent auditors, are established by statute, the Auditing Practice Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. As also required by the Acts, we state whether we have obtained all the information and explanations that we require for our audit, whether the financial statements are in agreement with the books of account and report to you our opinion as to whether

- the Company has kept proper books of account;
- the directors' report is consistent with the financial statements;
- at the balance sheet date, a financial situation existed that may require the Company to hold an extraordinary general meeting, on the grounds that the net assets of the Company, as shown in the financial statements, are less than half of its share capital.

We also report to you if, in our opinion, any information specified by the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Opinion

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

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

Mineral Interests

In forming our opinion, we considered the adequacy of the disclosures made in the financial statements, particularly in Note 6, in relation to the Directors' assessment of the carrying value of the Company's mineral interests held outside the cost pools of €6,043,726. In view of the significance of this uncertainty, we consider that this should be drawn to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company at 31 May 2005 and of its loss and cashflows for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005 and all Regulations to be construed as one with those Acts.

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

In our opinion, the information given in the Directors' report on pages 7 to 9 is consistent with the financial statements.

The net assets of the Company, as stated in the balance sheet on page 13, are more than half of the amount of its called up share capital and, in our opinion, on that basis there did not exist at 31 May 2005 a financial situation which, under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the Company.

KPMG

Chartered Accountants
Registered Auditors
Dublin

15 November 2005

PROFIT AND LOSS ACCOUNT

For the Year Ended 31 May 2005

	Notes	2005 €	2004 €
Operating Expenses	2	(515,205)	(331,321)
Other Income		1,958	5,595
Loss on ordinary activities	3	(513,247)	(325,726)
Tax on loss on ordinary activities	4	-	-
Loss retained for the Year		(513,247)	(325,726)
Profit and Loss Account at 1 June		(1,758,884)	(1,433,158)
Profit and Loss Account at 31 May		(2,272,131)	(1,758,884)
Loss per ordinary share – Basic and fully diluted	5	(€0.008)	(€0.006)

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

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 15 November 2005

BALANCE SHEET

31 May 2005

	Notes	2005 €	2004 €
Fixed Assets			
Mineral interests	6	6,043,726	6,202,068
Tangible assets	7	53,015	54,482
Financial assets	8	-	2
		6,096,741	6,256,552
Current Assets			
Debtors	9	39,020	45,046
Cash at bank and in hand		62,689	517,862
		101,709	562,908
Creditors: Amounts falling due within one year	10	(1,586,037)	(1,028,342)
Net Current Liabilities		(1,484,328)	(465,434)
Net Assets		4,612,413	5,791,118
Capital and Reserves			
Called up share capital	11	2,146,320	1,846,320
Capital conversion reserve fund	11	30,617	30,617
Share premium account	11	4,707,607	5,673,065
Profit and loss account		(2,272,131)	(1,758,884)
Shareholders' Funds – all equity	13	4,612,413	5,791,118

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 15 November, 2005

CASH FLOW STATEMENT

For the Year Ended 31 May 2005

	Notes	2005 €	2004 €
Net Cash Inflow/(Outflow) from Operating Activities	14A	73,638	(444,490)
Capital Expenditure and Financial Investments	14B	(888,353)	(1,026,190)
Net Cash Outflow before Financing		(814,715)	(1,470,680)
Financing	14B	359,542	1,685,707
(Decrease)/Increase in Cash	14C	(455,173)	215,027

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

R.T.W.L. Conroy
Director

J.P. Jones
Director

Approved by the Directors on 15 November 2005

STATEMENT OF ACCOUNTING POLICIES

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

A. Mineral Interests

(i) Exploration, appraisal and development expenditure

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

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

(ii) Cost Pools

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

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

(iii) Ceiling Test

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

(iv) Depreciation

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

B. Issue Expenses and Share Premium Account

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

C. Tangible Fixed Assets

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

Motor vehicles	5 years
Office equipment	8 years

D. Taxation

Current tax is provided on the Company's taxable profits at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Provision is made at the rates expected to apply when the timing differences reverse. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of underlying timing differences can be deducted.

NOTES TO THE FINANCIAL STATEMENTS

31 May 2005

1. Operations and Going Concern

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

During the year €359,542, net of expenses, was raised by the issue of new share capital.

Subsequent to year end, the directors considered the financial position of the Company and in particular the level of current liabilities at balance sheet date, which mainly arise from the accrual of unpaid directors' fees and remuneration. The relevant individual directors have indicated their intention to waive their entitlement to these amounts up to 31 August 2005. The amount of such accruals included in creditors at 31 May 2005 was €1,330,974 [note 10] and at 31 August 2005 was €1,422,782.

On the basis of the above funding, the declared intent of individual directors to waive their accrued remuneration entitlements to 31 August 2005, the very encouraging results obtained from the exploration programme and their review of projected cash flow information and existing commitments, the directors consider it appropriate to prepare the financial statements on a going concern basis.

2. Operating Expenses

	2005 €	2004 €
Operating expenses (a)	1,097,110	909,976
Transfer to Mineral Interests (Note 6)	(581,905)	(578,655)
	515,205	331,321

(a) The Company had ten employees during the period (2004 - nine). The remuneration charged during the period comprised salaries of €581,869, social welfare costs of €30,373 and pension costs of €90,764 (2004 - €475,630, €28,352 and €90,764 respectively).

3. Loss on Ordinary Activities before Taxation

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

	2005 €	2004 €
Auditors' remuneration	15,500	15,500
Directors' emoluments		
• fees	79,359	69,835
• other including pension contributions	403,412	403,412

All losses arose from continuing operations.

4. Tax on loss on Ordinary Activities

No taxation charge arises in the financial year due to losses incurred. There was no unprovided deferred taxation at 31 May 2005 (2004 – €Nil).

5. Loss per ordinary share

The calculation of the loss per ordinary share of €0.008 (2004 - €0.006) is based on the loss for the financial year of €513,247 (2004 – €325,726) and the weighted average number of ordinary shares on a basic and fully diluted basis during the year of 64,487,011 (2004 – 53,210,678). Share options and warrants are not included in the calculation of fully diluted shares since the Company incurred a loss in 2005 and 2004 which results in these potential shares being anti-dilutive.

6. Mineral Interests

Costs held outside cost pool:

	Gold €	Diamonds €	Total €
Cost			
At 31 May 2004	5,176,994	1,025,074	6,202,068
Expenditure during the period			
• licences and appraisal	284,827	-	284,827
• other operating costs (Note 2)	581,905	-	581,905
De-merger of diamond interests (Note 17)	-	(1,025,074)	(1,025,074)
At 31 May 2005	**6,043,726**	**-**	**6,043,726**

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

7. Tangible Fixed Assets

	Office Equipment €	Motor Vehicles €	Total €
Cost			
31 May 2004	65,706	60,860	126,566
Additions	21,621	-	21,621
31 May 2005	87,327	60,860	148,187
Accumulated Depreciation			
31 May 2004	29,068	43,016	72,084
Depreciation charge	10,916	12,172	23,088
31 May 2005	39,984	55,188	95,172
Net Book Value			
31 May 2004	36,638	17,844	54,482
31 May 2005	47,343	5,672	53,015

8. Financial assets

	2005 €	2004 €
Investment in subsidiary	-	2

The company owned 100% of the of the ordinary share capital of Karelian Diamonds Limited, which has its registered office at 10 Upper Pembroke Street, Dublin 2. During the year the Company's diamond interests were transferred to this subsidiary and the subsidiary was acquired by Karelian Diamond Resources Plc under a Scheme of Arrangement (Note 17).

9. Debtors:

	2005 €	2004 €
VAT receivable	140	1,306
Other debtors	38,880	43,740
	39,020	45,046

10. Creditors: Amounts falling due within one year

	2005 €	2004 €
Accrued directors' remuneration		
- fees and salaries	880,921	514,950
- pension contributions	450,053	359,269
Other accruals	239,463	139,262
Due to related undertaking (Note 16)	15,600	14,861
	1,586,037	1,028,342

11. Called up Share Capital and Premium

Authorised:

	2005 €	2004 €
400,000,000 ordinary shares of €0.03 each	12,000,000	12,000,000

Issued and Fully Paid:

	Number	Share Capital €	Capital Conversion Reserve Fund €	Share Premium €
Start of year	61,544,011	1,846,320	30,617	5,673,065
Share issues (a)	10,000,000	300,000	-	61,324
Issue expenses	-	-	-	(1,782)
Diamond interest de-merger (Note 17)				(1,025,000)
End of year	71,544,011	2,146,320	30,617	4,707,607

(a) In January 2005, 10,000,000 ordinary shares of €0.03 were issued for a consideration of 2.5p sterling per share to fund further mineral exploration. This realised €0.03595 per share resulting in a premium of €0.00595 per share. As part of the issue warrants over 20,000,000 shares, exercisable at Stg 3.75p at any time up to 20 January 2009, were granted.

(b) At 31 May 2005, options had been issued over 5,005,000 (2004 – 5,105,000) ordinary shares. These options are exercisable at prices ranging from €0.08 to €0.2539 and expire between 4 December 2010 and 26 November 2013.

(c) The share price at 31 May 2005 was Stg 3.125p. During the year the share price ranged from Stg 2.375p to Stg 4.875p.

12. Subsequent events

As described in note 1, subsequent to year end, individual directors have indicated their intent to waive their entitlement to accrued amounts of unpaid directors fees and remuneration to 31 August 2005. After careful consideration, and discussions with the Company's advisors, the Board has decided, subject to approval by the shareholders at the Annual General Meeting, to issue 49,064,190 warrants to those individual directors for nil consideration excisable over 10 years at a subscription price of €0.037 (Stg2.5p per share).

13. Reconciliation of Movement in Shareholders' Funds

	2005 €	2004 €
At 1 June	5,791,118	4,435,397
Loss for the financial year	(513,247)	(325,726)
Share issues, net	359,542	1,681,447
Diamond interest de-merger (Note 17)	(1,025,000)	-
At 31 May	4,612,413	5,791,118

14. Notes to the Cash Flow Statement

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

	2005 €	2004 €
Operating Loss	(513,247)	(325,726)
Depreciation	23,088	20,384
Loss on disposal of fixed assets	74	566
Increase/(Decrease) in Creditors	557,697	(99,587)
Decrease/(Increase) in Debtors	6,026	(40,127)
Net Cash Inflow/(Outflow) from Operating Activities	73,638	(444,490)

B. Analysis of Cash Flows

Capital Expenditure and Financial Investment

	2005 €	2004 €
Investment in mineral interests	(866,732)	(1,003,310)
Investment in subsidiary	-	(2)
Purchase of tangible fixed assets	(21,621)	(22,878)
	(888,353)	(1,026,190)

Financing

	2005 €	2004 €
Issue of share capital, net	359,542	1,681,447
Proceeds of disposal of fixed assets	-	4,260
	359,542	1,685,707

C. Analysis and Reconciliation of Net Funds

	31 May 2004	Cash Outflow	31 May 2005
Cash at bank and in hand	517,862	(455,173)	62,689

15. Commitments and Contingencies

Obligations under Mineral Interests

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

The Company has certain minimum expenditure obligations in respect of these licences at year end which are as follows:

	2005 €	2004 €
Commitments for expenditure:		
• due within one year	50,000	200,000
• due between two and five years	350,000	275,000
	400,000	475,000

16. Related Party Transactions

The amount due to a related undertaking of €15,600 (Note 10) relates to advances received from Conroy Plc and VAT reclaimed by the Company on behalf of Conroy Plc. These amounts are unsecured, interest free and have no specific repayment terms.

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

17. Scheme of Arrangement and De-Merger of Diamond interests

Pursuant to the terms of a Scheme of Arrangement, which was sanctioned by the High Court of Ireland on 26 July 2004, and pursuant to the terms of a share purchase agreement dated 30 July 2004, the entire share capital of Karelian Diamonds Limited, a wholly owned subsidiary of the Company, which held exploration licenses in Finland, together with related information and exploration data and results was transferred by the Company to a newly incorporated company, Karelian Diamond Resources Plc ("Karelian"). As consideration for this transfer, Karelian issued 10,256,639 Ordinary Shares in that company to the shareholders of the Company on the basis that for every 6 Ordinary Shares held by a member of the Company, that member received 1 Ordinary Share in Karelian. The Scheme of Arrangement was approved by the shareholders on 8 July 2004 at a meeting convened by an Order of the High Court. At an Extraordinary General Meeting of the Company, also held on 8 July 2004, approval was given, subject to sanction by the High Court, for the share premium account to be reduced by €1,025,000, being the book value of the diamond interests transferred. On 26 July 2004 the High Court sanctioned the Scheme of Arrangement and confirmed the reduction of the share premium account.

18. Approval of Financial Statements.

These financial statements were approved by the board on 15 November 2005.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Conroy Diamonds and Gold P.l.c (the "Company") will be held at the Westbury Hotel, Grafton Street, Dublin 2 on Monday 12th December 2005, at 12:00 noon for the purposes of transacting the following business:

1. To receive and consider the Financial Statements for the year ended 31st May 2005 together with the Directors' and Auditors' Reports thereon (Resolution no.1)

2. To re-elect as Directors the following persons:

   Mr James Jones (Resolution No. 2(a))
   Dr. Pamela Conroy (Resolution No.2(b))

3. To authorise the directors to fix the remuneration of the Auditors (Resolution no. 3)

4. To consider and, if thought fit, pass the following resolution as an Ordinary Resolution (Resolution No.4)

   "That the grant of the following warrants for nil consideration to subscribe for Ordinary Shares of €0.03 each in the capital of the Company at a subscription price of €0.037 (Stg. 2.5p) per share effected by the directors on 15th November 2005 be and is hereby confirmed and ratified."

Name of Warrant Holder	Number of Warrants
R.T.W.L Conroy	21,364,493
M.T.A Jones	13,839,858
J.P Jones	8,058,129
P Conroy	1,450,427
L.J Maguire	1,450,427
H.H Rennison	1,450,427
M.E Power	301,032
Estate of H.B Knott	1,149,395

5. To consider and, if thought fit, pass the following resolution as a Special Resolution (Resolution No.5)

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

6. To transact any other business.

By Order of the Board

Dated this 15 Day of November 2005

James P. Jones
Secretary

Registered Office
10 Upper Pembroke Street, Dublin 2.

Notes

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

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

Conroy Diamonds and Gold P.l.c.

10 Upper Pembroke Street
Dublin 2

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