CONROY
GOLD AND NATURAL RESOURCES PLC

Annual Report And Consolidated Financial Statements 2016

Contents

Chairman's Statement

Professor Richard Conroy
Chairman

I have great pleasure in presenting your Company's Annual Report and Consolidated Financial Statements for the financial year ended 31 May 2016.

Excellent infill drilling results were reported at Clontibret during the year. New gold zones were discovered together with high grades and wide gold intersections. The adjacent Clay Lake and Clontibret sites were unified as a single mining project with an exploration target of five million oz. gold. A total of £1,390,000 in new equity capital was raised during the year.

Clay Lake – Clontibret

A JORC compliant resource of over 0.6 million Au (Gold), using a minimum mining width of 2 metres and a cut-off grade of 0.6 g/t Au has already been established on 20% of the geochemical target at Clontibret. The mineralisation at Clontibret remains open along strike, at depth and over the remaining 80% of the geochemical target area.

The adjacent Clay Lake geochemical target has recently been shown to be approximately 3km in length, up to 2km in width and to have a surface area of over 200 hectares (c500 acres). The results of structural studies and wide zones of gold mineralisation already reported indicate the potential for high tonnage and overall gold content at Clay Lake.

A Scoping Study prepared by independent consultants Tetra Tech Wardrop demonstrated that the established resource (on 20% of the Clontibret target area only) was technically and financially viable. A detailed mine development plan is in place for this resource using a starter pit which focussed on a high grade, densely drilled portion of the resource. At current gold prices, the starter pit alone at Clontibret has an estimated net present value greater than US$70m, using an 8% discount rate.

Having established commercial viability of the initial resource, your Company has targeted growing the size of the asset through unifying the Clay Lake and the Clontibret targets into a single mining project and embarking on a drilling programme. A quantitative risk assessment by consultant geologist, Professor Garth Earls, has established an initial combined exploration target of five million oz. of gold across the overall Clay Lake – Clontibret project. Further drilling is required to bridge the gap between the existing resource of 0.6 million oz and the exploration target of five million oz but while there can be no certainty that future resource estimates for the project will achieve the exploration target, your Company is confident that additional drilling will significantly improve the resource.

Gold Lode continuity at Clontibret was confirmed by an independent study by structural geologist Dr. Francis Murphy. The structural study was carried out on the stream bedrock in Clontibret. Eight gold lodes were identified in the stream bedrock. These lodes all corresponded to gold lodes previously identified by the drilling programme, thus confirming the continuity of the mineralisation.

The confirmation of continuity in the gold lodes, taken in conjunction with drilling results and channel sampling results from the old antimony mine workings at Clontibret, enhances the Company's understanding of gold mineralisation within the Clontibret gold mining project.

The new study complimented your Company's ongoing drilling programme and is a further major step forward with our plans for development at your Company's Clay Lake – Clontibret gold project.

Excellent drilling results were reported at Clontibret at the south western part of your Company's Clay Lake – Clontibret gold property with new gold zones, high grade gold and wide intersections observed. High grades and wide intersections included 0.50m at 25.85 g/t gold in one of the already known gold zones and 5.75m grading 5.04 g/t gold in one of the newly discovered gold zones.

Five new gold zones (lodes) were discovered during the latest drilling, which was announced after the year end. Gold intersections were also made in four known gold zones in the area, confirming continuity of these lode zones. The deposit remains open to depth and in all directions.

Drilling at Clontibret.

Mapping Gold Lodes in stream.

The drilling focused on upgrading, at this stage to a depth of 200 metres, an area where previous drilling had indicated the potential for significant widths and gold grades. Intercepts drilled included:

- 5.00m grading 2.87 g/t gold (39m depth; New Lode 'A')
- 0.45m grading 3.28 g/t gold (70m depth; New Lode 'C')
- 5.75m grading 5.04 g/t gold (82m depth; New Lode 'D')
- 2.25m grading 10.47 g/t gold (96m depth Known Lode) including 0.50m grading 25.85 g/t gold
- 1.25m grading 3.21 g/t gold (157m depth; Known Lode)
- 1.25m grading 2.40 g/t gold (187m depth; New Lode 'E')

New Gold Zones at Glenish

In July 2016, we announced four new gold zones were intersected in a drilling programme on your Company's Glenish gold target.

The drilling results, together with previous channel sampling in the area which had proved 1.3 metres grading 9.4 g/t gold, demonstrated the presence of the four new gold zones in a 150 metre wide structural corridor in the western part of the Glenish gold target.

The new drilling results included intersections of 2.25 metres grading 2.65 g/t gold, at a depth of 18 metres; 2.00 metres grading 1.59 g/t gold at a depth of 27.75 metres; 2.75 metres grading 1.43 g/t gold at a depth of 36 metres and 3.00 metres grading 1.76 g/t gold at a depth of 64.25 metres.

The gold mineralisation in bedrock in the drilling area was traced down dip for over 70 metres and remains open in all directions.

The Glenish gold target is a large, 147 hectare, gold-in-soil anomaly located 7.5km southwest of the Company's Clay Lake-Clontibret gold target where the Company is targeting a potential of five million ounces of gold.

Base Metal and Other Gold Targets

Exploration also continued for zinc and other metals on your Company's other exploration properties in Ireland as well as for gold in Finland.

Finance

The loss after taxation for the year ended 31 May 2016 was €292,165 (2015: €315,314) and the net assets as at 31 May 2016 were €17,113,858 (2015: €15,321,650).

On 14 December 2015 the company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.01 as one ordinary share of €0.00001 each and one deferred share of €0.00999 each and consolidated the reclassified ordinary shares of €0.00001 each into shares of €0.001 each.

Chairman's Statement continued

Team in Sodankyla, Finland.

Following the reorganisation, on 21 December the Company raised £375,000 through the issue of 1,153,845 shares at 32.5p each and on 4 May 2016 a further £1,015,000 through the issue of 5,486,185 shares at 18.5p.

Auditors

I would like to take this opportunity to thank the partners and staff of Deloitte for their services to your Company during the course of the financial year.

Directors

It is with deep regret that I report that Henry H. Rennison, Non-Executive Director passed away during the year. His dedication, experience, advice and support contributed to a major degree to our Company.

I am very pleased to welcome Professor Garth Earls to our Board. His knowledge and experience will significantly contribute to the Company in his new role as Director.

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

Future Outlook

Your Company has continued to make excellent progress in its exploration and development programme. Clay Lake and Clontibret may possibly contain a total of five million ounces whilst at Glenish four new gold zones were discovered, making nine in all. The current drill programme has identified high grade and wide zones of gold mineralisation, that is open at depth and along strike across the target areas. I look forward to this continuing into 2017.

Richard Conroy

Professor Richard Conroy
Chairman

17 November 2016

Drill Core 2.5m at 25g/t gold - Clontibret.

Company Information

Directors

Professor Richard Conroy
*Chairman**

Seamus P. FitzPatrick
Deputy Chairman
Non-Executive Director+§*

Maureen T.A. Jones
*Managing Director**

James P. Jones FCA
*Finance Director**

Dr. Sorċa Conroy
*Non-Executive Director**

Professor Garth Earls
Non-Executive Director
(appointed 14 November 2016)

Louis J. Maguire
Non-Executive Director+§*

Michael E. Power
Non-Executive Director§*

C. David Wathen
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
9 Merrion Square North
Dublin 2 D02 WN50

Nominated Adviser

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UK

ESM Adviser

IBI Corporate Finance
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Burlington Road
Dublin 4 D04 EC66

Statutory Audit Firm

Deloitte
Chartered Accountants
Deloitte & Touche House
Charlotte Quay
Limerick V94 X63C

Principal Banker

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Registrars

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Legal Advisers

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Head Office

Conroy Gold and Natural Resources Plc
9 Merrion Square North
Dublin 2 D02 WN50

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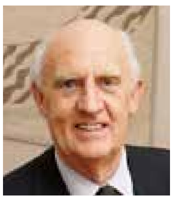

Professor Richard Conroy
Chairman

Seamus P. FitzPatrick
Deputy Chairman

Maureen T.A. Jones
Managing Director

James P. Jones
Finance Director

Dr. Sorċa Conroy
Non-Executive Director

Professor Garth Earls
Non-Executive Director

Louis J. Maguire
Non-Executive Director

Michael E. Power
Non-Executive Director

C. David Wathen
Non-Executive Director

Report of the Directors

The Directors present their annual report, together with the audited consolidated financial statements of Conroy Gold and Natural Resources Plc for the financial year ended 31 May 2016.

Principal Activities and Business Review

The company's exploration programme in Ireland is focused on the Longford-Down Massif. The company is engaged in active exploration there, which has already led to the discovery of a series of gold targets along a 30 mile (50 km) area stretching from County Armagh across Counties Monaghan and Cavan.

At the most advanced of these targets, Clontibret in County Monaghan, a Scoping Study prepared by independent consultants Tetra Tech Wardrop demonstrated that the project was technically and financially viable with a mine life of 11.2 years, a payback of 2 years, a net present value of US$72.3m using a discount rate of 8%, and an internal rate of return of 49.4% at a gold price of US$1,372. The study was completed on an area representing less than 20% of the target. Drilling on the remaining 80% of the Clontibret anomaly is expected to further increase this resource.

The group has also acquired licences in Finland's Central Lapland Greenstone Belt, which it believes to be highly prospective for gold and has an ongoing exploration programme there.

Further information concerning the activities of the group and its future prospects is contained in the Chairman's Statement.

Future Development of the Business

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

Risks and Uncertainties

The company's activities are directed towards the discovery, evaluation and development of mineral deposits. Exploration for and development of mineral deposits is speculative. Whilst the rewards can be substantial, there is no guarantee that exploration on the company's properties will lead to the discovery of commercially extractable mineral deposits. The directors recognise that the future realisation of exploration and evaluation assets is dependent on the successful further development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability.

Going Concern

The group and the company made a loss of €292,165 (2015: €315,314) for the financial year ended 31 May 2016 and had net current liabilities of €1,463,607 and €1,182,409 respectively (2015: €2,067,149 and €1,785,951 respectively) at that date. The directors have confirmed that they will not seek repayment of amounts owed to them by the group and the company of €1,741,824 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay. In addition, Karelian Diamond Resources Plc has confirmed that it does not intend to seek repayment of amounts owed to it at 31 May 2016 by the group and the company of €168,765 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay.

The directors have reviewed the proposed work programme for exploration and evaluation assets and on the basis of the equity raised during the financial year, the funds received from the principal shareholder after the financial year end, the results obtained from the exploration programme and the prospects for raising additional funds as required, consider it appropriate to prepare the financial statements of the group and the company on the going concern basis.

Key performance indicator

Currently the group's main key performance indicator is in relation to the estimated resource potential on the discovery and development of economic deposits of gold in Ireland and Finland. The details are set out in the Chairman's Statement. In addition, the company reviews expenditure incurred on exploration projects together with maintaining review of ongoing operating costs.

Results for the Financial Year and State of Affairs at 31 May 2016

The statement of financial position as at 31 May 2016 and the income statement for the financial year are set out on pages 14 to 16. The group and the company recorded a loss for the financial year of €292,165 (2015: €315,314) which was transferred to retained deficit. Taking account of the current financial year loss and the share capital issued during the financial year, equity increased to €16,903,138 at 31 May 2016 from €15,321,650 at 31 May 2015. The directors did not recommend the payment of a dividend during the current or previous financial year.

Post Statement of Financial Position Events

For events which have occurred since financial year end, refer to Note 21 of the financial statements.

Directors

The Directors who served during the financial year are as follows:

Prof. Richard Conroy	Mr. Séamus Fitzpatrick
Mr. James Jones	Mr. Louis Maguire
Miss Maureen Jones	Mr. Michael Power
Dr. Sorċa Conroy	Mr. C. David Wathen
Mr. Henry Rennison	Professor Garth Earls *(appointed 14 November 2016)*

The Board reports, with great sadness and regret, the death of Mr. Henry H. Rennison on 9 February 2016. Mr Rennison has been a director of your Company since its foundation. His dedication, experience, advice and support contributed to a major degree in the success of your Company.

In accordance with the company's Articles of Association, Miss Maureen Jones, Mr Louis Maguire and Mr. Michael Power will retire by rotation and, being eligible, will offer themselves for re-election at the Annual General Meeting.

Since the last Annual General Meeting, on 14 November 2016, Professor Garth Earls has been appointed director. Prof Earls now retires in accordance with the Company's Articles of Association and, being eligible, offers himself for re-election.

Details of Directors

Professor Richard Conroy, Chairman of the Board, has been involved in natural resources for many years. He established Trans-International Oil, which was primarily involved in Irish offshore oil exploration, and initiated the Deminex Consortium (which included Deminex, Mobil, Amoco and DSM). Trans-International Oil was merged with Aran Energy in 1979 (which was later acquired by Statoil). Professor Conroy founded Conroy Petroleum and Natural Resources which (as well as being involved in oil production and exploration) in 1986 discovered the Galmoy zinc deposit in Ireland. Conroy Petroleum was also a founding member of the Stone Boy consortium, an exploration group which discovered the Pogo gold deposit in Alaska, now a major producing gold mine. Conroy Petroleum acquired Atlantic Resources in 1992 and was renamed ARCON International Resources. Professor Conroy was Chairman and Chief Executive of Conroy Petroleum/ARCON from 1980 to 1994 before founding Conroy Gold and Natural Resources Plc. in 1995. An Emeritus Professor of Physiology in the Royal College of Surgeons in Ireland, Professor Conroy served in the Irish Parliament as a Member of the Senate and was at various times front bench spokesman for the government party in the Upper House on Energy, Industry and Commerce; Foreign Affairs; and Northern Ireland. He is also a director of Karelian Diamond Resources Plc.

Mr. Séamus Fitzpatrick, Deputy Chairman, has worked in both corporate finance and private equity in London and New York with Morgan Stanley, JP Morgan and Banker's Trust. In 1999 he co-founded CapVest of which he is Managing Partner (which has raised funds in excess of €3.0 billion). He is Chairman of the Mater Private Hospital and of Valeo Foods and is a board member of Scandza AS. He is also a director of Karelian Diamond Resources Plc.

Miss Maureen Jones, Managing Director, has over 30 years' experience at senior level in the natural resource sector. She has been Managing Director of Conroy Gold since 1998 and was a founding director of the company. Also a director of Karelian Diamond Resources Plc, she joined Conroy Petroleum and Natural Resources Plc on its foundation in 1980 and was a director and board member of Conroy Petroleum/ ARCON from 1986 to 1994. Ms. Jones has a medical background and specialised in the radiographic aspects of Nuclear Medicine before becoming a manager with International Medical Corporation in 1977.

Mr. James Jones, Finance Director, has been associated with the natural resources industry for many years. A Chartered Accountant, he was finance director of Conroy Petroleum and Natural Resources/ ARCON from its formation until 1994. He was a founding director of Conroy Gold and Natural Resources and has served as Finance Director and secretary of the company since its inception. He is also a director of Karelian Diamond Resources Plc.

Dr. Sorċa Conroy, Non-executive Director, was recruited to ING Bank in 2006 and whilst there was ranked second in the Extel Survey for Biotechnology Specialist Sales. She had previously been specialist sales for life sciences and institutional equities at Canaccord Adams (2005-2006), where she ranked fourth in the 2006 Extel survey and Hoodless Brennan (2004-2005). A medical graduate of The Royal College of Surgeons in Ireland, she held a number of clinical positions in between her graduation in 1995 and joining Hoodless Brennan. She is also a director of Karelian Diamond Resources Plc.

Mr. Louis Maguire, Non-executive Director, is an Auctioneer by profession and land valuation expert with particular expertise in the purchase of mineral rights and in land acquisition for mining. He is a founding director of the company. He is also a director of Karelian Diamond Resources Plc.

Mr. Michael Power, Non-executive Director, is a professional engineer and Chartered Financial Analyst with over 40 years experience in the mining industry in Canada and internationally. He was formerly Vice President of Corporate Development at Hemlo Gold Mines Inc. (now Newmont Gold Corporation).

Mr. David Wathen, Non-executive Director, has been involved in business and finance throughout his career, most recently as a stockbroker managing private client portfolios for Redmayne-Bentley Stockbrokers Sheffield. He has previously served as a director of several quoted and private companies in the UK, Ireland and the United States, including a number of natural resources companies.

Professor Garth Earls, Non-executive Director, is a geologist with over 35 years mineral exploration and management experience who has worked extensively both in Ireland and internationally. He was the project geologist on the team that discovered the Curraghinalt gold deposit in the North of Ireland, now under development as a major gold deposit with a resource of over 4 million oz gold. He has been a Partner in the Dublin-based geological consultancy CSA Group and from 2002-10 was the Director of the Geological Survey of Northern Ireland. Since leaving GSNI he has been Managing Director of Dalradian Gold and was until recently Chief Operating Officer at Premier Gold Resources. He will remain a consultant to Conroy Gold and Natural Resources.

He is a former Chairman of the National Geoscience Committee of the Royal Irish Academy, is a Trustee of National Museums Northern Ireland and since 2013 has held the position of Adjunct Professor of Geology at University College Cork.

Report of the Directors continued

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 2016 and 1 June 2015 were as follows:

	At 31 May 2016			At 1 June 2015		
	Ordinary Shares of €0.001 each	Options	Warrants	Ordinary Shares of €0.01 each*	Options	Warrants
Professor Richard T.W.L. Conroy	**2,430,657**	**–**	**349,347**	96,496,188	–	34,934,765
Maureen T.A. Jones	**194,104**	**–**	**225,070**	5,896,991	–	22,507,028
James P. Jones	**120,608**	**–**	**131,884**	1,250,010	–	13,188,420
Henry H. Rennison	**–**	**–**	**–**	1,330,010	–	2,457,288
Seamus P. Fitzpatrick	**212,439**	**–**	**3,595**	7,730,484	–	359,593
Louis J. Maguire	**3,100**	**–**	**24,572**	310,010	–	2,457,288
Michael E. Power	**1,750**	**–**	**13,078**	175,000	–	1,307,893
C. David Wathen	**11,000**	**–**	**5,076**	500,000	–	507,641
Dr. Sorċa C. Conroy	**128,777**	**–**	**–**	2,066,942	–	–

* Following approval at an Extraordinary General Meeting held on 26 February 2015, the parent company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.03 as one ordinary share of €0.01 each and one deferred share of €0.02 each.

Further, following approval at the Annual General Meeting held on 14 December 2015, the parent company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.01 as one ordinary share of €0.00001 each and one deferred share of €0.00999 each and consolidated the reclassified ordinary shares of €0.00001 each into shares of €0.001 each.

Of the 2,430,657 (2015: 96,496,188) ordinary shares beneficially held by Professor Richard Conroy, 192,942 (2015: 19,294,286) are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

Details of warrants, all of which are exercisable currently, are as follows:

Directors	At 31 May 2016	Price €	At 1 June 2015*	Price €	Expiry Date
Professor Richard T.W.L. Conroy	228,149	3.70	22,814,920	0.0370	15 November 2020
Professor Richard T.W.L. Conroy	121,198	4.33	12,119,845	0.0433	16 November 2022
Maureen T.A. Jones	138,398	3.70	13,839,858	0.0370	15 November 2020
Maureen T.A. Jones	86,671	4.33	8,667,170	0.0433	16 November 2022
James P. Jones	80,581	3.70	8,058,129	0.0370	15 November 2020
James P. Jones	51,302	4.33	5,130,291	0.0433	16 November 2022
Henry H. Rennison	–	3.70	1,450,427	0.0370	15 November 2020
Henry H. Rennison	–	4.33	1,006,861	0.0433	16 November 2022
Seamus P. Fitzpatrick	3,595	4.33	359,593	0.0433	16 November 2022
Louis J. Maguire	14,504	3.70	1,450,427	0.0370	15 November 2020
Louis J. Maguire	10,068	4.33	1,006,861	0.0433	16 November 2022
Michael E. Power	3,010	3.70	301,032	0.0370	15 November 2020
Michael E. Power	10,068	4.33	1,006,861	0.0433	16 November 2022
C. David Wathen	5,076	4.33	507,641	0.0433	16 November 2022

Except as disclosed above, neither the Directors nor their families had any beneficial interest in the share capital of the parent company. Apart from loans from shareholders, who are also directors (see Note 14 to the financial statements), there have been no contracts or arrangements entered into during the financial year in which a Director of the parent company had a material interest and which were significant in relation to the group's business.

Substantial Shareholdings

So far as the Board is aware, no person or company, other than the Directors' interests disclosed and the shareholders listed below, held 3% or more of the issued ordinary share capital of the parent company at 31 May 2016.

Name	Number of Ordinary Shares	%
Professor Conroy	2,430,657*	22.07
Mr. Patrick O'Sullivan	2,357,546	21.41

*Of the 2,430,657 (2015: 96,496,188) ordinary shares beneficially held by Professor Richard Conroy, 192,942 (2015: 19,294,286) are held by Conroy Plc, a company in which Professor Conroy has a controlling interest.

Political Donations

No political donations were made during the financial year.

Disclosure of Information to Auditors

So far as each of the directors in office at the date of approval of the financial statements is aware:

- There is no relevant audit information of which the Company's auditors are unaware; and
- The Directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 330 of the Companies Act 2014.

Directors' Compliance Statement

The directors, in accordance with Section 225(2)(a) of the Companies Act 2014 (the "Act"), acknowledge that they are responsible for securing the Company's compliance with its "relevant obligations." "Relevant obligations", in the context of the Company, are the Company's obligations under:

a) the Act, where a breach of the obligations would be a category 1 or category 2 offence;

b) the Act, where a breach of the obligation would be a serious Market Abuse or Prospectus offence; and

c) tax law.

Pursuant to Section 225(2)(b) of the Act, the directors confirm that:

i) the Company is in the process of drawing up a compliance policy statement as required by Section 225(3)(a) of the Act setting out the Company's policies (that, in the directors' opinion, are appropriate to the Company) respecting compliance by the Company with its relevant obligations;

ii) appropriate arrangements and structures are in the process of being put in place that, in their opinion, will be designed to secure material compliance with the Company's relevant obligations, and

iii) a review will be conducted, in the forthcoming financial year, of the arrangements and structures referred to in paragraph (ii).

Accounting Records

The measures that the directors have taken to secure compliance with the requirements of sections 281 to 285 of the Companies Act 2014 with regard to the keeping of accounting records, are the employment of appropriately qualified accounting personnel and the maintenance of computerised accounting systems. The company's accounting records are maintained at the company's registered office at 9 Merrion Square North, Dublin 2.

Auditors

The auditors, Deloitte, Chartered Accountants and Statutory Audit Firm, continue in office in accordance with Section 383 (2) of the Companies Act 2014.

Approved by the Board and signed on its behalf by

Richard Conroy
Director

Maureen Jones
Director

17 November 2016

Directors' Responsibilities Statement

The directors' are responsible for preparing the directors' report and the financial statements in accordance with the Companies Act, 2014 and the applicable regulations.

Irish company law requires the directors to prepare financial statements for each financial year. Under the law, the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("relevant financial reporting framework"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the company as at the financial year end date and of the profit or loss of the company for the financial year and otherwise comply with the Companies Act, 2014.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies for the Parent Company and the Group Financial Statements and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with the applicable accounting standards, identify those standards, and note the effect and the reasons for any material departure from those standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for ensuring that the company keeps or causes to be kept adequate accounting records which correctly explain and record the transactions of the company, enable at any time the assets, liabilities, financial position and profit or loss of the company to be determined with reasonable accuracy, enable them to ensure that the financial statements and directors' report comply with the Companies Act, 2014 and enable the financial statements to be audited.

They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Corporate Governance Statement

Introduction

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

Board of Directors

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

Regular board meetings are scheduled to take place throughout the financial year. During the financial year five meetings were held. All major policies are approved by the board. All directors are subject to re-election, with the exception of the Chief Executive. A Directors' Responsibilities Statement in relation to the annual financial statements is set out at page 10.

Remuneration committee

The remuneration committee comprises Mr. Louis Maguire, Mr. Séamus Fitzpatrick and Mr. David Wathen. It is responsible for making recommendations to the board on the company's executive remuneration. The committee determines any contract terms, remuneration and other benefits, including share options, for each of the executive directors. The board itself determines the remuneration of the non-executive directors.

Audit committee

The committee's terms of reference have been approved by the board. The audit committee comprises Mr. Louis Maguire, Mr. Michael Power and Mr. Séamus Fitzpatrick. The audit committee reviews the interim and annual financial statements before they are presented to the board, focusing in particular on accounting policies and areas of management judgement and estimation. The committee is responsible for monitoring the controls which are in force to ensure the information reported to the shareholders is accurate and complete. The committee considers internal control issues and contributes to the board's review of the effectiveness of the company's internal control and risk management systems. It also considers the need for an internal audit function, which it believes is not required at present because of the group's limited operations. The members of the committee have agreed to make themselves available should any member of staff wish to make representations to them about the conduct of the affairs of the group.

The committee advises the board on the appointment of external auditors and on their remuneration and discusses the nature and scope of the audit with the external auditors. It meets formally at least once per financial year with the group's external auditors. An analysis of the fees payable to the external audit firm in respect of audit services during the financial year is set out in Note 5 to the financial statements.

The audit committee also undertakes a review of any non-audit services provided to the group; and a discussion with the auditors of all relationships with the group and any other parties that could affect independence or the perception of independence.

Executive Committee

The Executive Committee comprises of Professor Richard Conroy, Miss Maureen Jones, Mr. James P. Jones, Dr. Sorċa Conroy, Mr. Louis Maguire and Mr. Michael Power. Its purpose is to support the Managing Director in carrying out the duties delegated to her by the board. It also ensures that regular financial reports are presented to the board, that effective internal controls are in place and functioning, and that there is an effective risk management process in operation throughout the group.

Internal control

The board of directors is responsible for, and annually reviews, the company's systems of internal control, financial and otherwise. Such systems provide reasonable but not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

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

Communication with shareholders

Extensive information about the company and its activities is given in the annual report and financial statements. Further information is available on the company's website, www.conroygold.com, which is promptly updated whenever announcements or press releases are made.

The company welcomes private shareholders to participate at general meetings. All Board members attend the Annual General Meeting and are available to answer questions. Separate resolutions are proposed on substantially different issues and the agenda of business to be conducted at the Annual General Meeting includes a resolution to receive and consider the Annual Report and financial statements. The chairmen of the Board's committees will also be available at the Annual General Meeting. The Board regards the Annual General Meeting as a particularly important opportunity for shareholders, directors and management to meet and exchange views.

Independent Auditors' Report

to the Members of Conroy Gold and Natural Resources Plc

We have audited the financial statements of Conroy Gold and Natural Resources Plc for the financial year ended 31 May 2016 which comprise the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Company Cash Flow Statement and the related notes 1 to 23. The relevant financial reporting framework that has been applied in the preparation of the financial statements is the Companies Act, 2014 and International Financial Reporting Standards (IFRS) as adopted by the European Union ("relevant financial reporting framework").

This report is made solely to the company's members, as a body, in accordance with Section 391 of the Companies Act, 2014. 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

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act, 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with the Companies Act, 2014 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the group and parent company financial statements give a true and fair view of the assets, liabilities and financial position of the group and parent company as at 31 May 2016 and of the loss of the group for the financial year then ended; and
- the group and parent company financial statements have been properly prepared in accordance with the relevant financial reporting framework and, in particular, with the requirements of the Companies Act, 2014.

Emphasis of Matter – Realisation of Intangible Assets, Recoverability of Amounts owed from Group Companies and Going Concern

In forming our opinion on the financial statements, which is not modified we draw your attention to:

- The disclosures made in Note 2, Note 9 and Note 12 to the financial statements concerning the realisation of exploration and evaluation assets included as intangible assets of €18,696,602 in the Consolidated Statement of Financial Position, and €18,415,402 in the Company Statement of Financial Position and amounts owed from group companies of €281,200 in the Company Statement of Financial Position at the financial year end 31 May 2016. The realisation of intangible assets by the group and company and the amounts owed by group companies to the company, is dependent on the further successful development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability. The financial statements do not include any adjustments in relation to these uncertainties and the ultimate outcome cannot at present be determined.
- The disclosures in Note 2 to the financial statements concerning the group's and company's ability to continue as a going concern. The group and the company incurred a loss of €292,165 for the financial year ended 31 May 2016 and, at that date had net current liabilities of €1,463,607 and €1,182,409 respectively. The directors have confirmed that they will not seek repayment of amounts owed to them by the group and the company of €1,741,824 within 12 months of the date of approval of the financial

statements unless, the group has sufficient funds available to repay such amounts. In addition, Karelian Diamond Resources Plc has confirmed that it does not intend to seek repayment of amounts owed to it at 31 May 2016 by the group and the company of €168,765 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay. The directors have reviewed the proposed work programme for exploration and evaluation assets and on the basis of the equity raised during the financial year, the funds received from the principal shareholder after the financial year end, the results obtained from the exploration programme and the prospects for raising additional funds as required, they consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount, or classification of assets and liabilities that would be necessary, if the group was unable to continue as a going concern.

Matters on which we are required to report by the Companies Act, 2014

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited.
- The parent company statement of financial position is in agreement with the accounting records.
- In our opinion the information given in the directors' report 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 provisions in the Companies Act, 2014 which require us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by law are not made.

Gerard Casey

For and on behalf of Deloitte
Chartered Accountants and Statutory Audit Firm
Limerick

17 November 2016

Consolidated Statement of Financial Position

as at 31 May 2016

	Note	2016 €	2015 €
ASSETS			
Non-current Assets			
Intangible assets	9	**18,696,602**	17,561,838
Property, plant and equipment	11	**16,150**	17,983
		18,712,752	17,579,821
Current Assets			
Trade and other receivables	12	**38,334**	63,586
Cash and cash equivalents		**687,708**	23,480
		726,042	87,066
Total Assets		**19,438,794**	17,666,887
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up share capital presented as equity	15	**11,014**	4,373,208
Called up deferred share capital	15	**10,504,431**	6,135,597
Share premium	15	**10,649,252**	8,855,525
Capital conversion reserve fund	15	**30,617**	30,617
Share based payments reserve		**1,464,030**	1,120,009
Retained losses		**(5,545,486)**	(5,193,306)
Total Equity		**17,113,858**	15,321,650
Non-current Liabilities			
Financial Liabilities	14	**135,287**	191,022
Total non-current liabilities		**135,287**	**191,022**
Current Liabilities			
Trade and other payables	13	**2,189,649**	2,154,215
Total Current Liabilities		**2,189,649**	2,154,215
Total Liabilities		**2,324,936**	2,345,237
Total Equity and Liabilities		**19,438,794**	17,666,887

The financial statements were approved by the Board of Directors on 17 November 2016 and authorised for issue on 17 November 2016. They were signed on its behalf by:

Richard Conroy
Director

Maureen Jones
Director

Company Statement of Financial Position

as at 31 May 2016

	Note	2016 €	2015 €
ASSETS			
Non-current Assets			
Intangible assets	9	**18,415,402**	17,280,638
Investment in subsidiary	10	**2**	2
Property, plant and equipment	11	**16,150**	17,983
		18,431,554	17,298,623
Current Assets			
Trade and other receivables	12	**319,532**	344,784
Cash and cash equivalents		**687,708**	23,480
		1,007,240	368,264
Total Assets		**19,438,794**	17,666,887
EQUITY AND LIABILITIES			
Capital and Reserves			
Called up share capital presented as equity	15	**11,014**	4,373,208
Called up deferred share capital	15	**10,504,431**	6,135,597
Share premium	15	**10,649,252**	8,855,525
Capital conversion reserve fund	15	**30,617**	30,617
Share based payments reserve		**1,464,030**	1,120,009
Retained losses		**(5,545,486)**	(5,193,306)
Total Equity		**17,113,858**	15,321,650
Non-current Liabilities			
Financial Liabilities	14	**135,287**	191,022
Total non-current liabilities		**135,287**	191,022
Current Liabilities			
Trade and other payables	13	**2,189,649**	2,154,215
Total Current Liabilities		**2,189,649**	2,154,215
Total Liabilities		**2,324,936**	2,345,237
Total Equity and Liabilities		**19,438,794**	17,666,887

The financial statements were approved by the Board of Directors on 17 November 2016 and authorised for issue on 17 November 2016. They were signed on its behalf by:

Richard Conroy
Director

Maureen Jones
Director

Consolidated Income Statement

For the Financial year ended 31 May 2016

	Note	2016 €	2015 €
Operating Expenses	4	**(291,486)**	(315,314)
Finance income – bank interest receivable		**–**	–
Finance costs – interest on shareholder loan		**(679)**	–
Loss Before Taxation	5	**(292,165)**	(315,314)
Income tax expense	7	**–**	–
Loss For The Financial Year		**(292,165)**	(315,314)
Basic and diluted loss per share	8	**(0.0479)**	(€0.08)

Consolidated Statement of Comprehensive Income

For the financial year ended 31 May 2016

	2016 €	2015 €
LOSS FOR THE FINANCIAL YEAR	**(292,165)**	(315,314)
Total income and expense recognised in other comprehensive income	**–**	–
TOTAL COMPREHENSIVE EXPENSE FOR THE FINANCIAL YEAR	**(292,165)**	(315,314)

Consolidated Statement of Changes in Equity

For the Financial year ended 31 May 2016

	Share capital €	Share Premium €	Capital Conversion reserve fund €	Share-based Payment Reserve €	Retained Earnings/ (Deficit) €	Total Equity €
At 1 June 2014	9,655,597	8,447,949	30,617	1,034,760	(4,877,992)	14,290,931
Share issue	853,208	–	–	–	–	853,208
Share premium	–	407,576	–	–	–	407,576
Share-based payments	–	–	–	85,249	–	85,249
Loss for the financial year	–	–	–	–	(315,314)	(315,314)
Transfer from share-based payment reserve to retained earnings/(deficit)	–	–	–	–	–	–
At 31 May 2015	**10,508,805**	**8,855,525**	**30,617**	**1,120,009**	**(5,193,306)**	**15,321,650**
At 1 June 2015	10,508,805	8,855,525	30,617	1,120,009	(5,193,306)	15,321,650
Share issue	6,640	–	–	–	–	6,640
Share issue costs	–	–	–	–	(60,015)	(60,015)
Share premium	–	1,793,727	–	–	–	1,793,727
Share-based payments	–	–	–	344,021	–	344,021
Loss for the financial year	–	–	–	–	(292,165)	(292,165)
Transfer from share-based payment reserve to retained earnings/(deficit)	–	–	–	–	–	–
At 31 May 2016	**10,515,445**	**10,649,252**	**30,617**	**1,464,030**	**(5,545,486)**	**17,113,858**

Share Capital

The share capital comprises of the nominal value share capital issued for cash and non-cash consideration. On 14 December 2015, the issued share capital at that date, €10,508,805, comprising ordinary share capital of €4,373,208 and deferred share capital of €6,135,597, was restructured into ordinary share capital of €4,374 and deferred share capital of €10,504,431.

Share Premium

The share premium reserve comprises of the excess consideration received in respect of share capital over the nominal value of share issued.

Capital Conversion Reserve Fund

The ordinary shares of the parent company were renominalised from €0.03174435 each to €0.03 each in 2001 and the amount by which the issued share capital of the parent company was reduced and transferred to capital conversion reserve fund.

Share Based Payment Reserve

The share based payment reserve represents the amount expensed to the income statement and the amount capitalised as part of intangible assets of share-based payments granted which are not yet exercised and issued as shares.

Retained Earnings/(Deficit)

This reserve represents the accumulated losses absorbed by the group to the Statement of Financial Position date.

Company Statement of Changes in Equity

For the Financial year ended 31 May 2016

	Share capital €	Share Premium €	Capital Conversion reserve fund €	Share-based Payment Reserve €	Retained Earnings/ (Deficit) €	Total Equity €
At 1 June 2014	9,655,597	8,447,949	30,617	1,034,760	(4,877,992)	14,290,931
Share issue	853,208	–	–	–	–	853,208
Share premium	–	407,576	–	–	–	407,576
Share-based payments	–	–	–	85,249	–	85,249
Loss for the financial year	–	–	–	–	(315,314)	(315,314)
Transfer from share-based payment reserve to retained earnings/(deficit)	–	–	–	–	–	–
At 31 May 2015	**10,508,805**	**8,855,525**	**30,617**	**1,120,009**	**(5,193,306)**	**15,321,650**
At 1 June 2015	10,508,805	8,855,525	30,617	1,120,009	(5,193,306)	15,321,650
Share issue	6,640	–	–	–	–	6,640
Share issue costs	–	–	–	–	(60,015)	(60,015)
Share premium	–	1,793,727	–	–	–	1,793,727
Share-based payments	–	–	–	344,021	–	344,021
Loss for the financial year	–	–	–	–	(292,165)	(292,165)
Transfer from share-based payment reserve to retained earnings/(deficit)	–	–	–	–	–	–
At 31 May 2016	**10,515,445**	**10,649,252**	**30,617**	**1,464,030**	**(5,545,486)**	**17,113,858**

Share Capital

The share capital comprises of the nominal value share capital issued for cash and non-cash consideration. On 14 December 2015, the issued share capital at that date, €10,508,805, comprising ordinary share capital of €4,373,208 and deferred share capital of €6,135,597, was restructured into ordinary share capital of €4,374 and deferred share capital of €10,504,431.

Share Premium

The share premium reserve comprises of the excess consideration received in respect of share capital over the nominal value of share issued.

Capital Conversion Reserve Fund

The ordinary shares of the parent company were renominalised from €0.03174435 each to €0.03 each in 2001 and the amount by which the issued share capital of the parent company was reduced and transferred to capital conversion reserve fund.

Share Based Payment Reserve

The share based payment reserve represents the amount expensed to the income statement and the amount capitalised as part of intangible assets of share-based payments granted which are not yet exercised and issued as shares.

Retained Earnings/(Deficit)

This reserve represents the accumulated losses absorbed by the parent company to the Statement of Financial Position date.

Consolidated Cash Flow Statement

For the Financial year ended 31 May 2016

	Notes	2016 €	2015 €
Cash flows from operating activities			
Cash/generated by operations	*16*	**41,014**	147,396
Net cash/generated by operating activities		**41,014**	147,396
Cash flows from investing activities			
Investment in exploration and evaluation		**(858,769)**	(1,459,440)
Payments to acquire property, plant and equipment		**–**	(15,673)
Net cash used in investing activities		**(858,769)**	(1,475,113)
Cash flows from financing activities			
Issue of share capital		**1,800,367**	935,832
Share issue costs		**(60,015)**	–
Interest paid on shareholder loan		**(679)**	–
Amounts repaid to shareholders		**(201,955)**	–
Advances made to related parties		**(55,735)**	–
Advances from related parties		**–**	336,993
Net cash generated from financing activities		**1,481,983**	1,272,825
(Decrease)/increase in cash and cash equivalents		**664,228**	(54,892)
Cash and cash equivalents at beginning of financial year		**23,480**	78,372
Cash and cash equivalents at end of financial year		**687,708**	23,480

Company Cash Flow Statement

For the Financial year ended 31 May 2016

	Notes	2016 €	2015 €
Cash flows from operating activities			
Cash(used in)/generated by operations	*16*	**41,014**	147,396
Net cash(used in)/generated by operating activities		**41,014**	147,396
Cash flows from investing activities			
Investment in exploration and evaluation		**(858,769)**	(1,178,240)
Payments to acquire property, plant and equipment		**–**	(15,673)
Net cash used in investing activities		**(858,769)**	(1,193,913)
Cash flows from financing activities			
Issue of share capital		**1,800,367**	935,832
Share issue costs		**(60,015)**	–
Interest paid on shareholder loan		**(679)**	–
Amounts repaid to shareholders		**(201,955)**	–
Advances made to related parties		**(55,735)**	(281,200)
Advances from related parties		**–**	336,993
Net cash generated from financing activities		**1,481,983**	991,625
(Decrease)/increase in cash and cash equivalents		**664,228**	(54,892)
Cash and cash equivalents at beginning of financial year		**23,480**	78,372
Cash and cash equivalents at end of financial year		**687,708**	23,480

Notes to the Consolidated Financial Statements

For the Financial year ended 31 May 2016

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and interpretations adopted by the International Accounting Standards Board. These financial statements have also been prepared in accordance with the Companies Acts 2014. The financial statements are prepared under the historical cost convention.

Adoption of New and Revised Standards

Standards and Interpretations not affecting the reported results nor the financial position

In the current financial year, the following new and revised Standards have been adopted. Their adoption has not had any material impact on the amounts reported in these financial statements but they may affect the accounting for future transactions and arrangements. The adoption of these Standards has not led to any changes in the company's accounting policies.

IAS 28 (revised May 2011) *Investments in Associates and Joint Ventures* (effective immediately).

IAS 19 *Defined Benefit Plans: Employee Contribution* (effective for annual periods beginning on or after 1 February 2015).

Annual Improvements to IFRSs 2010-2012 (effective for annual periods on or after 1 February 2015).

Annual Improvements to IFRSs 2011-2013 (effective for annual periods on or after 1 February 2015).

Standards and Interpretations in Issue Not Yet Effective

At the date of authorisation of these financial statements, other than the Standards and Interpretations adopted by the Company in advance of their effective dates, the following Standards were in issue but not yet effective and in some cases had not been adopted by the European Union:

IFRS 9 *Financial Instruments* (effective for annual periods on or after 1 January 2016)

Amendments to IAS 16 and IAS 41 (June 2014) *Agriculture: Bearer Plants* (effective date to be confirmed)

IFRS 15 *Revenue from Contracts with Customers* (effective for annual periods on or after 1 January 2018)

Amendments to IFRS 10 and IAS 28 (September 2014) *Sale or contribution of assets between an investor and its Associate or Joint Venture* (effective for annual periods on or after 1 January 2016)

Amendments to IAS 1 (December 2016) *Disclosure Initiative* (effective date to be confirmed)

IFRS 2 *Share based payment* (effective for annual periods on or after 1 January 2016)

IFRS 12 *Disclosure of interests in other entities* (effective for annual periods on or after 1 January 2016)

IAS 34 *Interim Financial Reporting* (effective for annual periods on or after 1 January 2016)

IFRS 11 *Joint Arrangements* (effective for annual periods on or after 1 January 2016)

IAS 7 *Statement of Cashflows* (effective for annual periods on or after 1 January 2016)

IAS 12 *Income Taxes* (effective for annual periods on or after 1 January 2016)

IAS 27 (*Revised August 2014*) (effective for annual periods on or after 1 January 2016)

Amendments to IAS 16 and IAS 38 (May 2015) *Clarification of Acceptable Methods of Depreciation and Amortisation* (effective date to be confirmed)

Amendments to IFRS 11 (May 2015) *Accounting for Acquisitions of Interests in Joint Operations* (effective for annual periods on or after 1 January 2016)

IFRS 14 *Regulatory Deferral Accounts* (effective for annual periods on or after 1 January 2016)

Amendments to IAS 19 *Employee Benefits* (effective for annual periods on or after 1 January 2016)

IFRIC 21 *Levies* (effective for accounting periods beginning on or after 17 June 2015)

Annual Improvements to IFRSs: 2012-2014 Cycle (September 2014): *Annual Improvements to IFRSs: 2012-2014 Cycle* (effective date to be confirmed)

Annual Improvements to IFRSs: 2011-2013 Cycle (December 2013): *Annual Improvements to IFRSs: 2011-2013 Cycle* (effective for accounting periods beginning on or before 1 January 2016)

Annual Improvements to IFRSs: 2010-2012 Cycle (December 2013): *Annual Improvements to IFRSs: 2010-2012 Cycle* (effective for accounting periods beginning on or before 1 February 2016)

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES – Continued

A. Intangible Assets

The company accounts for mineral expenditure in accordance with International Financial Reporting Standard 6 – Exploration For and Evaluation of Mineral Resources.

(i) Capitalisation

Certain costs (other than payments to acquire the legal rights to explore) incurred prior to acquiring the rights to explore are charged directly to the Income Statement. Exploration, appraisal and development expenditure incurred on exploring, and testing exploration prospects are accumulated and capitalised as intangible exploration and evaluation (E&E) assets. Capitalised costs include geological and geophysical costs, and other direct costs of exploration (drilling, trenching, sampling and technical feasibility and commercial viability activities). In addition, capitalised costs includes an allocation from operating expenses, including share based payments, all such costs are directly related to exploration and evaluation activities.

E&E costs are not amortised prior to the conclusion of appraisal activities. At completion of appraisal activities if technical feasibility is demonstrated and commercial reserves are discovered, then the carrying amount of the relevant E&E asset will be reclassified as a development and production asset, once the carrying value of the asset has been assessed for impairment.

If following completion of appraisal activities in an area, it is not possible to determine technical feasibility and commercial viability, or if the right to explore expires, then the costs of such unsuccessful exploration and evaluation is written off to the Income Statement in the period in which the event occurred.

(ii) Impairment

If facts and circumstances indicate that the carrying value of an E&E asset may exceed its recoverable amount, an impairment review is performed. The following are considered to be key indicators of impairment:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed.
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

For E&E assets, where the above indicators exist, an impairment test is carried out. The E&E assets are categorised into Cash Generating Units ("CGU"). The carrying value of the CGU is compared to its recoverable amount and any resulting impairment loss is written off to the income statement. The recoverable amount of the CGU is assessed as the higher of its fair value, less costs to sell, and its value in use.

B. Transaction Costs

Transaction costs expenses arising on the issue of equity securities are accounted for as a deduction from equity against retained earnings.

C. Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a straight line basis to write off the cost less estimated residual value of the assets over their estimated useful lives as follows:

Motor vehicles	5 years
Plant and office equipment	10 years

1. ACCOUNTING POLICIES – Continued

D. Taxation

The tax expense represents the sum of the current and deferred tax charge.

The tax currently payable is based on taxable profits for the financial year. Taxable profit differs from net profit or loss as reported in the income statement because it excludes items of income or expenditure that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the balance sheet liabilities method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

E. Share Based Payments

For equity-settled share based payment transactions (i.e. the granting of share options and share warrants), the parent company measures the services and the corresponding increase in equity at fair value at the measurement date (which is the grant date) using a recognised valuation methodology for the pricing of financial instruments (Binomial Lattice Model). Given that the share options, and warrants granted do not vest until the completion of a specified period of service the fair value is determined on the basis that the services to be rendered by employees as consideration for the granting of share options and warrants will be received over the vesting period, which is assessed as the grant date.

The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the parent company's estimate of equity instruments that will eventually vest.

F. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

G. Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value, and subsequently measured at amortised cost.

H. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank held by the group and short term bank deposits with a maturity of three months or less. Cash and cash equivalents are held for the purpose of meeting short term cash commitments.

I. Pension costs

The group provides for certain employees through defined contribution pension schemes. The amounts charged to the income statement and statement of financial position is the contribution payable in that financial year. Any difference between amounts charged and contributions paid to the pension scheme is included in receivables or payables in the statement of financial position.

Notes to the Consolidated Financial Statements continued

1. ACCOUNTING POLICIES – Continued

J. Foreign Currencies

Transactions denominated in foreign currencies relating to revenues, costs and non-monetary assets are translated into Euro at the rates of exchange ruling on the dates on which the transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into Euro at the rate of exchange ruling at the statement of financial position date. The resulting profits or losses are dealt with in the income statement.

K. Shareholder Loan

The shareholder loan is initially measured at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount of initial recognition.

L. Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies above, management has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations), which are dealt with below:

Exploration and evaluation assets

The assessment of whether general administration costs and salary costs are capitalised or expensed involves judgement. Management consider the nature of each cost incurred and whether it is deemed appropriate to capitalise it within exploration and evaluation assets. Given that the activity of management and the resultant operating costs are primarily focused on the group's gold prospects, the directors consider it appropriate to capitalise a portion of such costs.

Impairment of intangible assets

As outlined in the Intangible Assets accounting policy, the exploration and evaluation assets need to be allocated into Cash Generating Units ("CGU"). The determination of what constitutes a cash generating unit requires judgement. Once this is decided, the carrying value of each cash generating unit is compared to its recoverable amount. The recoverable amount of the CGU is assessed as the higher of its fair value less costs to sell and its value in use. The determination of value in use requires the following judgements:

- Estimation of future cash flows expected to be derived from the asset.
- Expectation about possible variations in the amount or timing of the future cash flows.
- The determination of an appropriate discount rate.

Going concern

The preparation of financial statements requires an assessment on the validity of the going concern assumption. The validity of the going concern assumption is dependent on the successful further development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability. The realisation of intangible assets depends on the successful discovery and development of economic reserves. The directors have reviewed the proposed programme for exploration and evaluation assets and on the basis the equity raised during the financial year, the funds received since the financial year end, the very encouraging results from the exploration programme and the prospects for raising additional funds as required, consider it appropriate to prepare the financial statements on the going concern basis. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the company's assets, in particular the intangible assets, to their realisable values.

1. ACCOUNTING POLICIES – Continued

Key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the financial year. The nature of estimation means that actual outcomes could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The company has made estimates as to the volatility of its own shares, the probable life of options granted and the time of exercise of those options. The model used by the company is the Binomial Lattice Model. In addition, the directors consider that 80% of their activity is primarily focused on the company's gold prospects and therefore, the directors consider it appropriate to capitalise 80% of such costs to exploration and evaluation assets.

Deferred tax

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

2. GOING CONCERN

Exploration and evaluation costs capitalised as intangible assets in the Consolidated Statement of Financial Position amounted to €18,696,802 (2015: €17,561,838) and €18,415,402 (2015: €17,280,638) in the Company Statement of Financial Position as at 31 May 2016 (note 9). Amounts owed from group companies amounted to €281,200 (2015: €281,200) in the Company Statement of Financial Position.

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

The group and the company made a loss of €292,165 (2015: €315,314) for the financial year ended 31 May 2016, and, at that date had net current liabilities of €1,463,607 and €1,182,409 respectively (2015: €2,067,149 and €1,785,951 respectively). The directors have confirmed that they will not seek repayment of amounts owed to them by the group and the company of €1,741,824 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds available to repay such amounts. In addition, Karelian Diamond Resources Plc has confirmed that it does not intend to seek repayment of amounts owed to it at 31 May 2016 by the group and the company of €168,765 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay.

The directors have reviewed the proposed work programme for exploration and evaluation assets and on the basis of the equity raised during the financial year, and the results obtained from the exploration programme and the prospects for raising additional funds as required, they consider it appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments to the carrying amount, or classification of assets and liabilities that would be necessary if the company was unable to continue as a going concern.

Notes to the Consolidated Financial Statements continued

3. SEGMENTAL REPORTING

Operating segments have been identified on the basis of internal reports about components of the group that are regularly reviewed by the Chief Operating Decision Maker, being the Board of Directors, in order to allocate resources to segments and to assess their performance. The group has one class of business, gold exploration and operates in two geographical markets, Ireland and Finland. Costs that are directly attributable to Ireland and Finland have been capitalised to exploration and evaluation assets (Note 9). All remaining operating expenses have been expensed through the Income Statement.

4. OPERATING EXPENSES

(a) Analysis of operating expenses

	2016 €	2015 €
Operating expenses	**1,032,065**	899,376
Transfer to intangible assets (Note 9)	**(740,579)**	(584,062)
	291,486	315,314

Operating expenses are analysed as follows:	2016 €	2015 €
Wages and salaries	**465,483**	522,797
Share based payments	**344,021**	85,249
Depreciation	**1,833**	5,544
Auditor remuneration	**17,500**	17,500
Other operating expenses	**203,228**	268,286
	1,032,065	899,376

Of the above costs a total of €740,579 (2015: €584,062) is capitalised to intangible assets based on a review of the nature and quantum of the underlying cost and the exercise of appropriate measurement across each cost category.

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

	2016 €	2015 €
Wages and salaries	**429,276**	482,420
Social welfare costs	**1,207**	5,377
Pension costs	**35,000**	35,000
	465,483	522,797

The average number of employees during the financial year was 9 (2015: 8).

The amount of wages and salaries capitalised to intangible assets during the financial year was €358,074 (2015: €392,011).

4. OPERATING EXPENSES – Continued

(c) Directors' remuneration

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

	Fees €	Salary €	Share based payment €	Pension contributions €	Total €
Professor Richard T.W.L. Conroy	22,220	179,720	33,655	–	235,595
Maureen T.A. Jones	9,523	114,720	21,949	22,000	168,192
James P. Jones	9,523	71,257	12,876	13,000	106,656
Henry H. Rennison	6,547	–	1,660	–	8,207
Louis J. Maguire	9,523	–	2,415	–	11,938
Seamus P. Fitzpatrick	9,523	–	419	–	9,942
Michael E. Power	9,523	–	1,430	–	10,953
C. David Wathen	9,523	–	591	–	10,114
Dr. Sorċa C. Conroy	9,523	–	–	–	9,523
	95,428	365,697	74,995	35,000	571,120

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

	Fees €	Salary €	Share based payment €	Pension contributions €	Total €
Professor Richard T.W.L. Conroy	22,220	179,720	17,835	–	219,775
Maureen T.A. Jones	9,523	114,720	11,694	22,000	157,937
James P. Jones	9,523	71,527	6,865	13,000	100,915
Henry H. Rennison	9,523	–	1,291	–	10,814
Louis J. Maguire	9,523	–	1,291	–	10,814
Seamus P. Fitzpatrick	9,523	–	239	–	9,762
Michael E. Power	9,523	–	799	–	10,322
C. David Wathen	9,523	–	338	–	9,861
Dr. Sorċa C. Conroy	9,523	–	–	–	9,523
	98,404	365,967	40,352	35,000	539,723

The total share based payment charge of €344,021 (2015: €85,249) is accounted for as shown below:

	2016 €	2015 €
Share based payment charge expensed to income statement	**68,026**	16,159
Share based payment charge transferred to intangible assets	**275,995**	69,090
	344,021	85,249

In the opinion of the directors, eighty per cent of the share based payment charge is directly related to exploration and evaluation activities, and has been capitalised within intangible assets.

Notes to the Consolidated Financial Statements continued

5. LOSS BEFORE TAXATION

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

	2016 €	2015 €
Depreciation	**1,833**	5,544
Auditor's remuneration		
The analysis of the auditor's renumeration is as follows:		
– Audit of accounts	**17,500**	17,500
– Other assurance services	**–**	–
– Tax advisory services	**–**	–
– Other non-audit services	**–**	–

6. DIRECTORS' REMUNERATION

	2016 €	2015 €
Aggregate emoluments paid to or receivable by directors in respect of qualifying services	**461,125**	464,371
Aggregate amount of money or value of other assets including shares, but excluding share options, paid to or receivable by the directors under long term incentive schemes in respect of qualifying services	**74,995**	40,352

	2016 Number of Directors	2016 €	2015 Number of Directors	2015 €
Aggregate contributions paid, treated as paid, or payable during the financial year to a retirement benefit scheme in respect of qualifying services of directors:				
– Defined contribution schemes	**2**	**35,000**	2	35,000
– Defined benefit schemes	**–**	**–**	–	–

	2016 €	2015 €
Compensation paid, or payable, or other termination payments, in respect of loss of office to directors of the parent company in the financial year:		
– Office of director of the company	**–**	–
– Other offices	**–**	–
Total	**–**	–

6. DIRECTORS' REMUNERATION – Continued

	2016 €	2015 €
Amounts paid or payable to past directors of the parent company or its holding undertaking:		
– For retirement benefits in relation to services as directors	–	–
– For other retirement benefits	–	–
Total for retirement benefits	–	–

	2016 €	2015 €
Compensation paid or payable for loss of office or other termination benefits:		
– Office of director	–	–
– Other offices	–	–
Total	–	–

7. INCOME TAX EXPENSE

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

Factors affecting the tax charge for the financial year:

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

	2016 €	2015 €
Loss on ordinary activities before tax	**(292,165)**	(315,314)
Loss on ordinary activities multiplied by the standard rate of Irish corporation tax of 12½% (2015: 12½%)	**(36,521)**	(39,414)
Effects of:		
Losses carried forward for future utilisation	**36,521**	39,414
Tax charge for the financial year	–	–

No deferred tax asset has been recognised on accumulated tax losses as it cannot be considered probable that future taxable profit will be available against which the deferred tax asset can be utilised. The deferred tax asset not recognised amounts to €545,924 (2015: €507,632).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share of €0.0479 (2015: €0.0008) is based on the loss for the financial year of €292,165 (2015: €315,314) and the weighted average number of ordinary shares in issue during the financial year of 5,295,110 (2015: 405,603,539).

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

Notes to the Consolidated Financial Statements continued

9. INTANGIBLE ASSETS

Exploration and evaluation assets	2016 €	2015 €
Company: Cost		
At 1 June	**17,280,638**	16,033,308
Expenditure during the financial year		
– licence and appraisal costs	**394,367**	663,268
– other operating expenses (Note 4)	**461,686**	514,972
– equity settled share based payments (Note 4)	**275,995**	69,090
– loan interest	**2,716**	–
At 31 May	**18,415,402**	17,280,638
Group: Cost		
At 1 June	**17,561,838**	16,033,308
Expenditure during the financial year		
– licence and appraisal costs	**394,367**	944,468
– other operating expenses (Note 4)	**461,686**	514,972
– equity settled share based payments (Note 4)	**275,995**	69,090
– loan interest	**2,716**	–
At 31 May	**18,696,602**	17,561,838

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

The directors have considered the proposed work programmes for the underlying mineral reserves. They are satisfied that there are no indications of impairment, but nonetheless recognise that the realisation of the intangible assets, is dependent on further successful development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the resources to economic maturity and profitability.

Mineral interests are categorised as follows:

Company:	2016 €	2015 €
Ireland		
Cost		
At 1 June	**15,300,475**	14,165,862
Expenditure during the financial year		
– licence and appraisal costs	**363,985**	634,706
– other operating expenses (Note 4)	**393,441**	437,726
– equity settled share based payments (Note 4)	**248,393**	62,181
– loan interest	**2,309**	–
At 31 May	**16,308,603**	15,300,475

9. INTANGIBLE ASSETS – Continued

Company	2016 €	2015 €
Finland		
Cost		
At 1 June	**1,980,163**	1,867,446
Expenditure during the financial year		
– licence and appraisal costs	**29,382**	28,562
– other operating expenses	**69,245**	77,246
– equity settled share based payments	**27,602**	6,909
– loan interest	**407**	–
At 31 May	**2,106,799**	1,980,163

Group	2016 €	2015 €
Ireland		
Cost		
At 1 June	**15,581,675**	14,165,862
Expenditure during the financial year		
– licence and appraisal costs	**363,985**	915,906
– other operating expenses (Note 4)	**393,441**	437,726
– equity settled share based payments (Note 4)	**248,393**	62,181
– loan interest	**2,309**	–
At 31 May	**16,589,803**	15,581,675

Group	2016 €	2015 €
Finland		
Cost		
At 1 June	**1,980,163**	1,867,446
Expenditure during the financial year		
– licence and appraisal costs	**29,382**	28,562
– other operating expenses (Note 4)	**69,245**	77,246
– equity settled share based payments (Note 4)	**27,602**	6,909
– loan interest	**407**	–
At 31 May	**2,107,779**	1,980,163

Notes to the Consolidated Financial Statements continued

10. INVESTMENT IN SUBSIDIARY – COMPANY

Company:	% Owned	2016 €	2015 €
Shares in subsidiary company (Unlisted shares) at cost:			
Conroy Gold Limited	100%	–	-
Trans International Mineral Exploration Limited	100%	2	2

The registered office of the above non-trading subsidiaries is 9 Merrion Square North, Dublin 2.

In accordance with S304 (2) of the Companies Act, 2014 the parent company is availing of the exemption from presenting its individual income statement. The parent company's loss for the financial year determined in accordance with IFRS is €292,165 (2015: €315,314).

11. PROPERTY, PLANT AND EQUIPMENT

Group and Company	Motor Vehicles €	Plant & Office Equipment €	Total €
Cost			
At 1 June 2015	17,754	133,480	151,234
Additions	–	–	–
At 31 May 2016	**17,754**	**133,480**	**151,234**
Accumulated Depreciation			
At 1 June 2015	17,716	115,535	133,251
Charge for the financial year	38	1,795	1,833
At 31 May 2016	**17,754**	**117,330**	**135,084**
At 31 May 2016	**–**	**16,150**	**16,150**

In respect of previous financial year:

	Motor Vehicles €	Plant & Office Equipment €	Total €
Cost			
At 1 June 2014	17,754	117,807	135,561
Additions	–	15,673	15,673
At 31 May 2015	**17,754**	**133,480**	**151,234**
Accumulated Depreciation			
At 1 June 2014	14,166	113,541	127,707
Charge for the financial year	3,550	1,994	5,544
At 31 May 2015	**17,716**	**115,535**	**133,251**
At 31 May 2015	**38**	**17,945**	**17,983**

12. TRADE AND OTHER RECEIVABLES

Company	2016 €	2015 €
VAT receivable	**29,869**	54,318
Other debtors	**8,463**	9,266
Amounts owed from group company	**281,200**	281,200
	319,532	344,784

The realisation of amounts owed by group companies is dependent on the further successful development and ultimate production of the mineral reserves and the availability of sufficient finance to bring the reserves to economic maturity and profitability.

Group	2016 €	2015 €
VAT receivable	**29,869**	54,318
Other debtors	**8,465**	9,268
	38,334	63,586

13. TRADE AND OTHER PAYABLES

Group and Company	2016 €	2015 €
Amounts falling due within one year		
Accrued directors' remuneration		
- fees and other emoluments	**1,584,649**	1,442,693
- pension contributions	**157,175**	122,175
Other accruals	**279,060**	218,627
Amounts owed to related parties	**168,765**	370,720
	2,189,649	2,154,215

It is the group's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the group's policy that payment is made according to the agreed terms. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe. The carrying value of the trade and other payables approximates to their fair value.

The directors have confirmed that they will not seek repayment of amounts owed to them by the group and the company of €1,741,784 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay.

In addition to this Karelian Diamond Resources Plc has confirmed that it will not seek repayment of amounts owed to it by the group and the company at 31 May 2016 of €168,765 within 12 months of the date of approval of the financial statements, unless the group has sufficient funds to repay. During the financial year an amount of €201,955 was repaid to Karelian Diamond Resources Plc.

Notes to the Consolidated Financial Statements continued

14. NON CURRENT FINANCIAL LIABILITIES – GROUP AND COMPANY

	R.T.W.L. Conroy 2016 €	2015 €
(a) Shareholder loan		
Opening balance	**191,022**	191,022
Loan interest paid	**(59,130)**	–
Interest charge for the financial year	**3,395**	–
Closing balance	**135,287**	191,022

	2016 €	2015 €
(b) Convertible Loan		
Conversion from shareholder loan (a)	**–**	324,952
Subscription	**–**	–
Conversion	**–**	(324,952)
At 31 May 2016	**–**	–

15. CALLED UP SHARE CAPITAL AND SHARE PREMIUM – GROUP AND COMPANY

	2016 €	2015 €
Authorised:		
11,995,569,058 ordinary shares of €0.001 each	**11,995,569**	–
(2015: 1,636,440,312 ordinary shares of €0.01 each)	**–**	*16,364,403*
306,779,844 deferred shares of €0.02 each	**6,135,597**	6,135,597
437,320,727 deferred shares of €0.00999 each	**4,368,834**	–
	22,500,000	22,500,000

Following approval at an Extraordinary General Meeting held on 26 February 2015, the parent company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.03 as one ordinary share of €0.01 each and one deferred share of €0.02 each.

Further, following approval at the Annual General Meeting held on 14 December 2015, the parent company reorganised its share capital by subdividing and reclassifying each issued ordinary share of €0.01 as one ordinary share of €0.00001 each and one deferred share of €0.00999 each and consolidated the reclassified ordinary shares of €0.00001 each into shares of €0.001 each.

The deferred shares do not entitle the holder to receive a dividend or other distribution, do not entitle the shareholder to receive notice of or vote at any general meeting of the parent company, and effectively do not entitle the shareholder to any proceeds on a return of capital or winding up of the parent company.

15. CALLED UP SHARE CAPITAL AND SHARE PREMIUM – GROUP AND COMPANY – Continued

Issued and Fully Paid – Current Financial Year

	Number	Share capital €	Capital conversion reserve fund €	Called up deferred share capital €	Share premium €
Start of financial year	437,320,727	4,373,208	30,617	6,135,597	8,855,525
Reclassified	4,373,207	4,374	30,617	10,504,431	8,855,525
Share issue (a)	1,153,845	1,154	–	–	516,087
Share issue (b)	5,486,485	5,486	–	–	1,277,640
End of financial year	11,013,537	11,014	30,617	10,504,431	10,649,252

(a) On 18 December 2015, 1,153,845 ordinary shares of €0.001 each were issued at 32.5p sterling realising €0.4483 per share resulting in a premium of €0.4473 per share.

(b) On 3 May 2016, 5,486,485 ordinary shares of €0.001 each at 18.5p sterling (€0.2339) per share resulting in a premium of €0.2339 per share together with 5,486,485 warrants at an exercise price of 37 pence per warrant. The Warrants can be exercised at any time up to 10 November 2018. The Warrants also contain a mandatory exercise clause if the closing price of the Ordinary Shares remains at £1 or higher for 10 or more consecutive business days.

(c) At 31 May 2016 and 31 May 2015 warrants over 490,641 shares exercisable at €3.70 per share at any time up to 15 November 2020 were outstanding.

(d) At 31 May 2016 10,000 options are outstanding exercisable at prices ranging from €4.80 to €6.25 and expire between 13 April 2016 and 14 January 2018.

(e) At 31 May 2016 and 31 May 2015 warrants over 298,051 shares exercisable at €4.33 per share at any time up to 16 November 2022 were outstanding.

(f) The share price at 31 May 2016 was 0.725p sterling. During the financial year the price ranged from 0.625p to 1.55p sterling.

Issued and Fully Paid – Prior Financial Year

	Number	Share capital €	Capital conversion reserve fund €	Called up deferred share capital €	Share premium €
Start of financial year	351,999,972	3,520,000	30,617	6,135,597	8,447,949
Share issue (a)	75,000,000	750,000	–	–	204,750
Share issue (b)	10,320,755	103,208	–	–	242,022
Issue expenses	–	–	–	–	(39,196)
End of financial year	437,320,727	4,373,208	30,617	6,135,597	8,855,525

(a) On 7 October 2014 75,000,000 ordinary shares of €0.01 each were issued at 1p sterling realising €0.01273 per share resulting in a premium of €0.00273 per share.

(b) On 21 November 2014, £273,500 of convertible debt was converted into 10,320,755 ordinary shares of €0.01 each at 2.65p sterling (€0.03345) per share resulting in a premium of €0.02345 per share.

(c) At 31 May 2015 and 31 May 2014 warrants over 49,064,188 shares exercisable at €0.037 per share at any time up to 15 November 2020 were outstanding. These warrants had previously been exercisable at any time up to 30 November 2015.

(d) At 31 May 2015 1,500,000 options are outstanding exercisable at prices ranging from €0.048 to €0.0633 and expire between 13 April 2016 and 14 January 2018.

(e) At 31 May 2015 and 31 May 2014 warrants over 29,805,123 shares exercisable at €0.0433 per share at any time up to 16 November 2022 were outstanding. These warrants had previously been exercisable at any time up to 30 November 2017.

(f) The share price at 31 May 2015 was 0.725p sterling. During the financial year the price ranged from 0.625p to 1.55p sterling.

Notes to the Consolidated Financial Statements continued

16. NOTES TO THE CASH FLOW STATEMENT – GROUP AND COMPANY

Reconciliation of Operating Loss to Net Cash used in Operations:

	2016 €	2015 €
Operating loss	**(292,486)**	(315,314)
Depreciation	**1,833**	5,544
Expense recognised in income statement in respect of equity settled share based payments	**68,026**	16,159
Increase in creditors	**237,389**	445,233
Decrease/(increase) in debtors	**25,252**	(4,226)
Cash (used by)/generated by operations	**41,014**	147,396

17. COMMITMENTS AND CONTINGENCIES

Obligations under Mineral Interests

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

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

	2016 €	2015 €
Commitments for expenditure:		
– due within one financial year	**150,000**	150,000
– due between two and five financial years	**500,000**	500,000
	650,000	650,000

18. RELATED PARTY TRANSACTIONS

(a) Details as to shareholder loans and share capital transactions with Prof. R.T.W.L. Conroy are outlined in Notes 13 and 14 to the financial statements.

(b) For the financial year ended 31 May 2016, Conroy Gold and Natural Resources Plc incurred costs totalling €245,773 (2015: €301,992) on behalf of Karelian Diamond Resources Plc., which has certain common shareholders and directors. These costs were recharged to Karelian Diamond Resources Plc.

These costs are analysed as follows:

	2016 €	2015 €
Office salaries	**6,344**	26,823
Rent and rates	**34,876**	21,843
Travel and subsistence	**16,776**	43,587
Legal and professional	**21,815**	25,902
Other operating expenses	**46,958**	69,298
Exploration costs	**118,964**	114,539
	245,733	301,992

18. RELATED PARTY TRANSACTIONS – Continued

At 31 May 2016, Conroy Gold and Natural Resources Plc owed €168,765 to Karelian Diamond Resources Plc (2015: €370,720). Amounts owed to Karelian Diamond Resources Plc are included within Trade and other Payables in the current and previous financial years.

At 31 May 2016 Conroy Gold Limited owed €281,200 (2015: €281,200) to Conroy Gold and Natural Resources Plc as outlined in Note 12.

At 31 May 2016 Conroy Plc owed €5,000 to Conroy Gold and Natural Resources Plc. (2015: €5,000). Amounts owed by Conroy Plc are included in "Other debtors" within Trade and other Receivables.

(c) Details of key management compensation which comprises directors remuneration including short term employee benefits €461,125 (2015: €464,371), post employment benefits €35,000 (2015: €35,000), other long term benefits €Nil (2015: €Nil), share based payment €74,995 (2015: €40,352) and termination benefits €Nil (2015: €Nil) are outlined in Note 6 to the financial statements.

19. SHARE BASED PAYMENTS

The parent company operates a share option scheme for employees who devote a substantial amount of their time to the business of the parent company.

Options granted generally have a vesting period of ten years. An amount of €Nil (2015: €84,000) was transferred from share-based payment reserve to retained earnings/(deficit) as the options to which the initial charge relevant had lapsed. Details of the share options outstanding during the financial year are as follows:

	2016		2015	
	No. of Share Options	Weighted Average Exercise Price €	No. of Share Options	Weighted Average Exercise Price €
At 1 June	**16,000**	**6.66**	1,600,000	0.666
Granted during financial year	**–**	**–**	–	–
Exercised during financial year	**–**	**–**	–	–
Lapsed during financial year	**(6,000)**	**6.33**	–	–
At 31 May	**10,000**	**5.53**	1,600,000	0.666

Warrants granted generally have a vesting period of ten years. Warrants granted during the financial year vested immediately. Details of the warrants outstanding during the financial year are as follows:

	2016		2015	
	No. of Share Warrants	Weighted Average Exercise Price €	No. of Share Warrants	Weighted Average Exercise Price €
At 1 June	**788,693**	**3.944**	78,869,311	0.03944
Granted during financial year	**5,486485**	**0.486**	–	–
Exercised during financial year	**–**	**–**	–	–
Lapsed during financial year	**–**	**–**	–	–
At 31 May	**6,275,178**	**0.920**	78,869,311	0.03944

Notes to the Consolidated Financial Statements continued

19. SHARE BASED PAYMENTS – Continued

The company estimated the fair value of employee stock options and warrants awards using the Binomial Lattice Model. The determination of the fair value of share based payment awards on the date of grant using the Binomial Lattice Model is affected by Conroy Gold and Natural Resources Plc stock price as well as assumptions regarding a number of subjective variables.

These variables include the expected term of the awards, the expected stock price volatility over the term of the awards, the risk free interest rate associated with the expected term of the awards and the expected dividends.

The parent company's Binomial Lattice Model included the following weighted average assumptions for the parent company's employee stock option and warrants.

	2016 Stock Options	2016 Stock Warrants	2015 Stock Options	2015 Stock Warrants
Dividend yield	**0%**	**0%**	0%	0%
Expected volatility	**90%**	**90%**	90%	90%
Risk free interest rate	**4%**	**3.2%**	4%	3.2%
Expected life (in years)	**10**	**10**	10	10

This calculation results in a share based payments reserve movement of €344,021 (2015: €85,249).

21. SUBSEQUENT EVENTS

There are no important events since financial year end which need to be disclosed within these financial statements.

22. FINANCIAL INSTRUMENTS

The company's and group's financial assets and liabilities stated at carrying amount and fair value are as follows at 31 May 2016:

	Carrying Amount 2016 €	Fair Value 2016 €	Carrying Amount/ Fair Value 2016 €
Company:			
Trade and other receivables	**319,532**	**319,532**	344,784
Cash and cash equivalents	**687,708**	**687,708**	23,480
Trade and other payables and financial liabilities	**2,324,936**	**2,324,936**	2,345,215

	Carrying Amount 2016 €	Fair Value 2016 €	Carrying Amount/ Fair Value 2016 €
Group:			
Trade and other receivables	**38,334**	**38,334**	63,585
Cash and cash equivalents	**687,708**	**687,708**	23,480
Trade and other payables and financial liabilities	**2,324,936**	**2,324,936**	2,345,237

22. FINANCIAL INSTRUMENTS – Continued

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

Trade and Other Receivables/Payables and Financial Liabilities

As both trade and other receivables and trade and other payables have a remaining life of less than one financial year, the carrying value is deemed to reflect fair value. The group has received confirmation that payment of the shareholder loan will not be demanded for a period of 12 months from the date of approval of the financial statements. The directors consider that its carrying value reflects its fair value.

Cash and Cash Equivalents

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

Risk Management

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

Credit Risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a policy of dealing only with credit worthy counterparties. The group's exposure to credit risk relates to the carrying value of cash and cash equivalents and trade and other receivables which at 31 May 2016 amounted to €725,221(2015: €87,066). The parent company's exposure to credit risk relates to the carrying value of cash and cash equivalents and trade and other receivables which at 31 May 2016 amounted to €1,006,419 (2015: €368,264).

At 31 May 2016 and 31 May 2015 all trade and other receivables were not past due.

Liquidity Risk

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

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

Market Risk – Interest Rate Risk

The group's exposure to changes in interest rates relates primarily to the shareholder loan balance. If the interest rate rose by 1%, the group's loss would increase by €1,353 (2015: €1,910). A decrease in the interest rate would result in a corresponding decrease in the same amount.

23. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board on 17 November 2016.