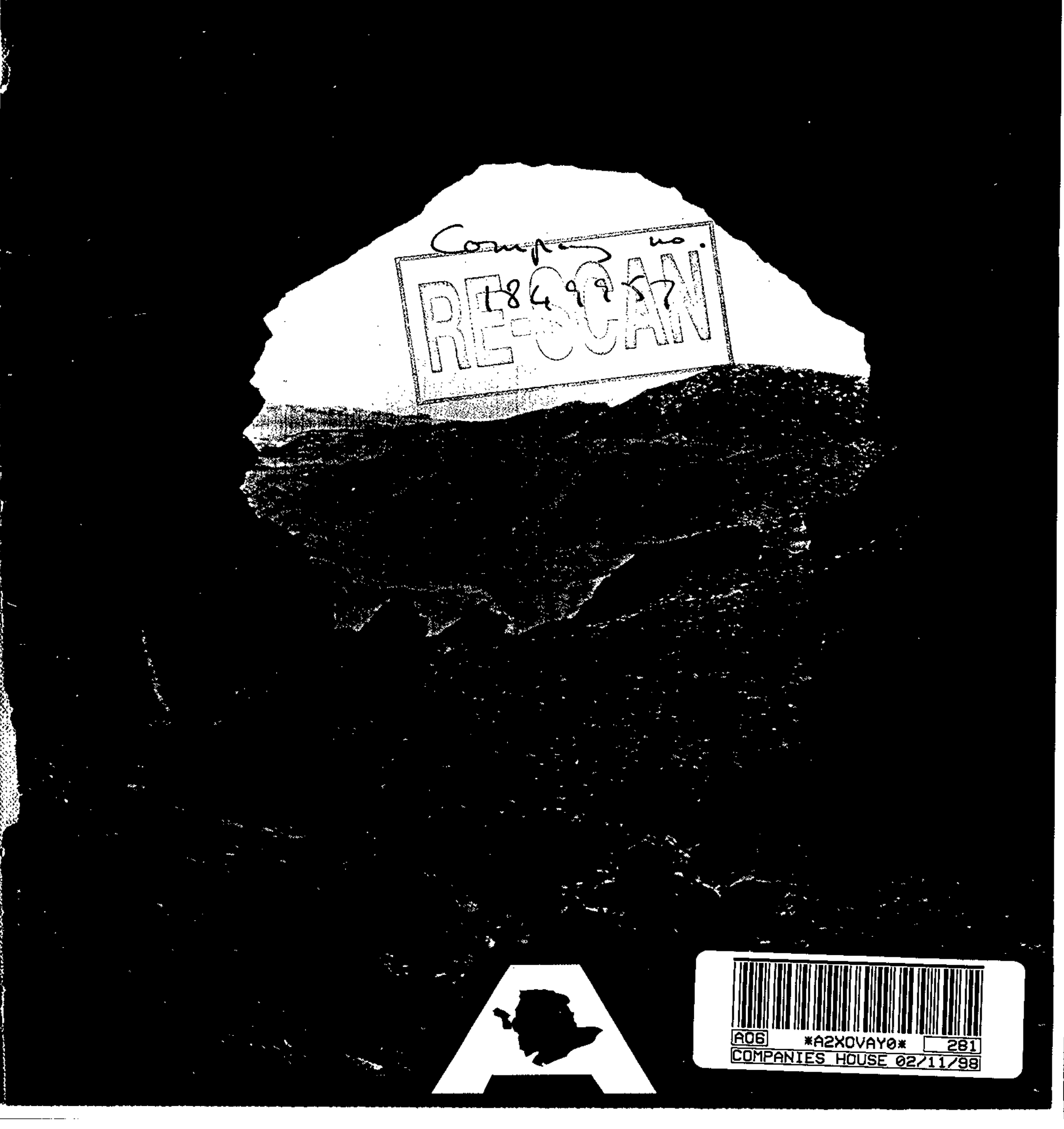
Anglesey Mining plc

Annual Report 1998



Company no. 1849957

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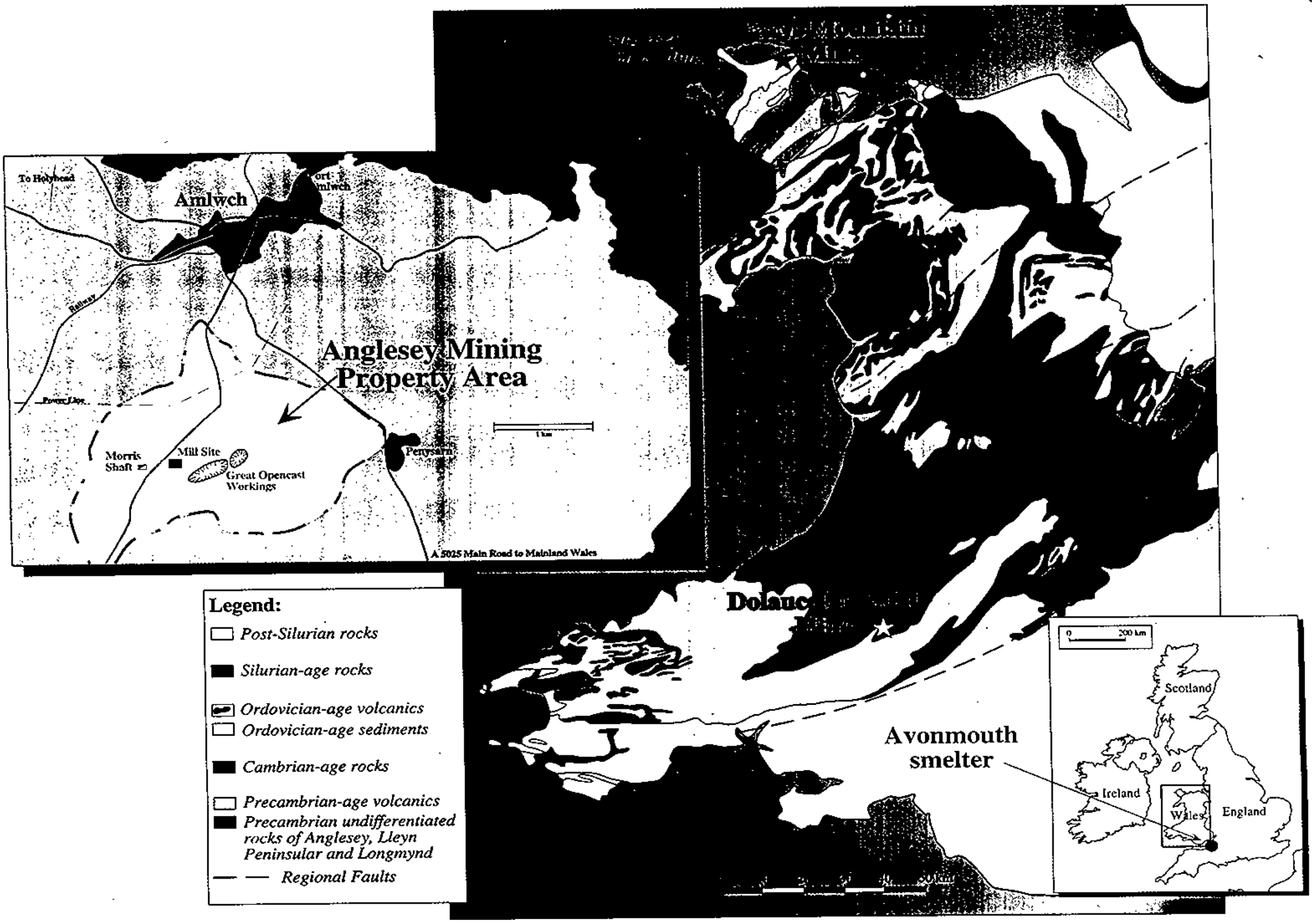

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Front cover: View from Mona pit workings, looking east.

Company no
1849957

Anglesey Mining plc

Anglesey Mining plc is a UK company, listed since 1988 on the London Stock Exchange, which holds mineral properties at Parys Mountain and Dolaucothi in Wales.

Parys Mountain

- Located to the north of the island of Anglesey in north Wales
- The only undeveloped polymetallic mineral deposit in the United Kingdom
- Contains an important identified geological resource of 6.5 million tonnes with a combined average grade of over 10% zinc, copper and lead with gold and silver
- Positive independent feasibility study completed based on the identified reserves and full planning permission obtained for a 1,000 tonne per day mine

Parys Mountain is currently undergoing exploration with the objective of developing a significantly larger deposit which should support a higher daily production rate.

Dolaucothi

Located near Lampeter in south Wales, the Dolaucothi property at Pumpsaint contains the Ogofau gold mine which was last in production between 1931and 1939. The company holds a Crown mining lease for gold and silver covering 11,000 acres

Dolaucothi is being explored with the objective of discovering new or extended gold zones. Dolaucothi's potential is for a small gold mining operation that would attract the premium for Welsh gold.

Recent Highlights

- The major review of the geology of Parys Mountain is continuing with steady and significant progress.
- Drilling at Parys Mountain recommenced in October 1997
- The long running Intermine litigation and court case was settled in May 1998 on satisfactory terms.

I am pleased to report another year of real progress for the company with highlights being the commencement of a new phase of exploration borehole drilling at Parys Mountain, the application of a number of new and advanced techniques to the geology at the Parys property and, after the year end, final settlement of the litigation which had been taken against the company.

Progress at Parys Mountain

Diamond borehole drilling started last October and four holes of a planned first phase five or six hole drilling programme have been completed. Although economic grades of mineralisation were not intersected, the information gained from these boreholes is both useful and significant. We consider the results to be encouraging and continue to be optimistic.

The geological reassessment of Parys Mountain which commenced in 1995 is continuing and expanding. Major advances are being obtained through the use of lithogeochemistry and associated advanced analytical techniques to identify accurately different rock types, even to the stage of locating different lava flows within the package of volcanic rocks. Accurate dating of the age of the rock types is central to understanding the geological structure.

Joint studies have been undertaken in conjunction with the British Geological Survey using new technologies and advanced instruments. These have included infrared mineral analysis, radio isotope dating and three dimensional modelling together with studies of the alteration effects of hot fluids which are the source of all the mineralisation.

As we discover more and more information about the structure and stratigraphy of the area, our understanding of the relationships between the different volcanic rocks and mineralisation improves. So far these new techniques are showing great promise in helping to unravel the geological mysteries of Parys Mountain and to target areas of higher potential for mineralisation.

All of the ongoing exploration, geological and technological work at Parys Mountain continues to indicate that there is potential for the discovery of substantial additional resources on the property, the largest part of which remains unexplored.

It is clear that the Parys Mountain property requires and justifies further detailed exploration and a major new drilling programme. Subject to securing the necessary funding, the company has developed plans for a major drilling programme comprising a minimum of 10,000 metres in 10 to 15 holes.

Litigation Settled

I was pleased to be able to report previously that the outstanding litigation concerning the Parys Mountain property has been settled on very satisfactory terms. This litigation had occupied a disproportionate amount of management time over the past two years and settlement has removed a cloud that was hanging over the company. We are pleased to be able to put the litigation behind us so that we can once again focus our efforts on the development of the property.

New Financing

In August 1997 the company completed a placing of 9.8 million shares to raise proceeds of £485,000 which provided the funding for the company's activities through the year end. Subsequent to year end the company concluded a new financing agreement with Juno Limited, the company's major shareholder. Under this agreement, which replaces the previous working capital agreement signed in 1996, Juno agreed to provide up to an additional £200,000 for current liabilities and ongoing programmes. This financing has enabled the company's activities to be continued through the end of September. However, additional funding will be required to continue exploration and drilling activities past that date.

Outlook

Anglesey Mining is making real progress. Exploration and development of a mining property requires hard work, patience and lots of money. We are working very hard, shareholders are being particularly patient but we still need more money to carry out our ambitious plans.

Despite world metal prices having had a very poor year the longer term outlook for the metals we have at Parys Mountain, especially zinc, is quite positive. At present investor interest in mining companies is at a major low but we are part of a cyclical industry and I am sure conditions will change. Anglesey's shareholders have heard these problems before. We remain undaunted and will press ahead with determination.

I would like to thank all employees, directors, consultants and advisors for their efforts and enthusiasm and particularly to commend shareholders for their continued support.

John F. Kearney

Chairman

29 September 1998

Geological Assessment

For the past three years Anglesey Mining has been carrying out a reassessment of the geology and structural setting of the Parys Mountain deposits. This program has included remapping of surface geology, a compilation and reinterpretation of historical drilling results as well as relogging much of the old drill core and a major study of the structural setting using lithogeochemical analysis and advanced scientific interpretation.

The work carried out is leading to a new understanding of the relationships between volcanic rocks of differing characteristics and the massive sulphide mineralisation and to the development of new stratigraphic models for the Parys Mountain area which demonstrate that there is potential for the identification of new mineral zones on the property which could add substantially to the existing mineral resource base. These conceptual models are being continuously refined as new information becomes available.

The Parys Mountain property is approximately 3 kilometres long (east - west) and about 1.5 kilometres wide (north - south). Only the western 1 kilometre of the east-west strike length has been subjected to any meaningful exploration and only the western fringe of this western kilometre itself has been subject to detailed assessment.

The reassessment work carried out to date, which is continuing, has demonstrated that there is considerable potential to identify and define new ore zones in the remaining 2 kilometres of the property to the east of the known Engine Zone (which was defined during the 1990-91 underground programme) and east of the existing Morris Shaft. It is believed that there is also potential for the discovery of new lenses of massive sulphide along the northern part of the property at depths of between 400 and 600 metres below surface.

Drilling

In 1997 Anglesey Mining initiated a new drilling programme at Parys Mountain with the objective of increasing the overall geological resource base and thus enhancing the viability of a new mining operation.

Between November 1997 and March 1998 three widely spaced vertical holes totalling 1,020 meters were drilled to explore the near surface updip portion of the central zone in areas which could be mined from the existing Morris Shaft. Although the holes did not hit economic mineralisation, drilling results are encouraging. The potential for massive sulphide lenses remains and further closely spaced drilling in this area is warranted however it would appear that the up-dip projection of the mineralisation in this area may be less extensive than had been hoped.

Hole AMC 12 located about 600 metres east of the Morris shaft was drilled to a depth of 450 metres where it intersected the target horizon. This hole was subsequently tested by a down-hole electromagnetic geophysical survey which showed a strong off-hole response at the target horizon between 360 and 400 metres deep. This has been interpreted to indicate a conductor of significant dimensions within 50 metres of the hole. The geophysical survey also showed a weaker response at an intermediate horizon of about 200 metres depth which could also indicate a significant conductor located further from the hole between 50 and 100 metres.

Hole AMC 11, located about 500 metres east of the Morris shaft and 300 metres southwest of AMC12, was drilled to a depth of 200 metres where it intersected the target horizon, but it is now believed the hole was drilled too far to the east of the projected zone. Hole AMC 13 was drilled 170 metres west of AMC 11 and again intersected the succession at the target horizon. Results of geophysical surveys carried out on holes 11 and 13 indicate possible minor mineralisation within ten metres of each hole at depths of 140 metres and 120 metres respectively.

The results of hole AMC 12 are particularly encouraging and indicate that the zone is present at the anticipated horizon. The low grade mineralisation, together with the geophysical results, indicate that a larger ore body may be close by. It is planned to drill a further hole, which would be about 500 metres deep, approximately 50 to 100 metres north-west of AMC 12.

The next part of the exploration programme commenced in May 1998 with the objective to test areas further to the northeast targeting down-dip zones. The projected location of these zones is based largely on geological interpretation as only one previous hole had been drilled in this area.

Hole AMC 14 was located about 250 metres north of AMC 12 in the north central part of the Parys Mountain property and north of the open cast pits. The hole went to a depth of 620 metres and took almost two months to complete but deviated somewhat to the south-south-east with increasing depth. Although the hole did not intersect significant economic mineralisation it did intersect three horizons of interest.

At the first or highest horizon the hole intersected the northern shale/northern rhyolite contact where an interval of quartz rock plus locally copper rich sulphide vein mineralisation (Carreg-y-doll) was located at an interval between 180 metres and 193 metres below surface.

At a lower depth of approximately 390 metres, hole AMC 14 intersected a zone of weak mineralisation over an interval of about 10 metres. This interval contained disseminated sulphides, with rhyolite breccia and several polymetallic sulphide veins.

Finally at the bottom of hole AMC 14 an interval of black massive rock was intersected between 511 and 530 metres overlying a thin bed or vein of polymetallic sulphide. The black massive rock has been provisionally interpreted as strongly altered rhyolite indicating that this section has been subjected to intense hydrothermal alteration and may be close to a body of massive sulphide.

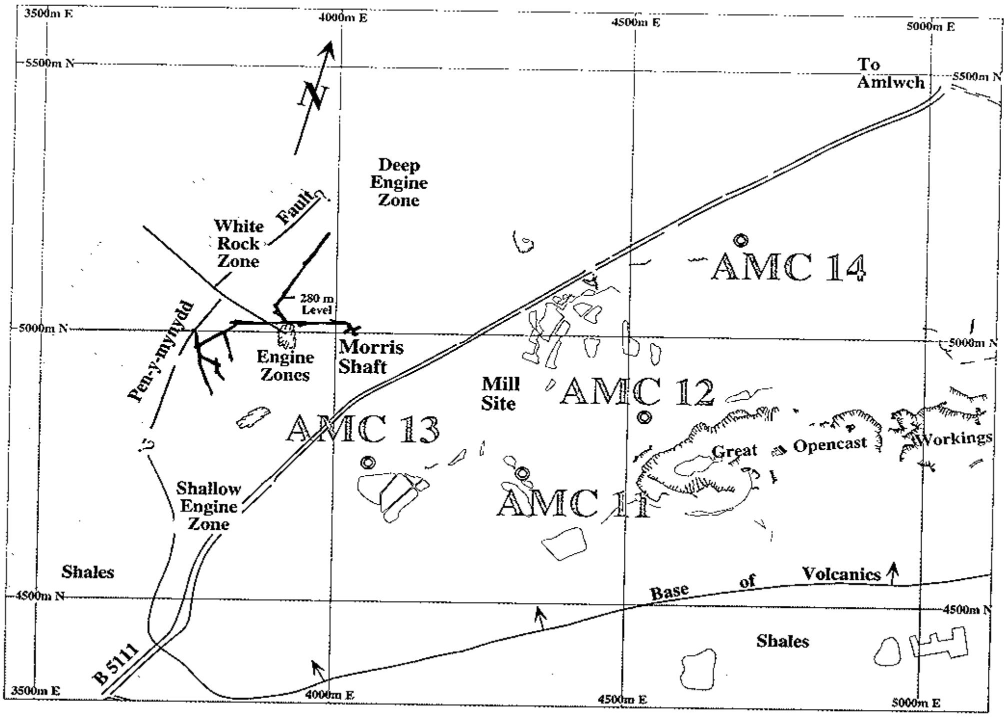


Diagram showing location of recent drill holes relative to the Morris Shaft and old open pits

The preliminary results of AMC 14 provide ample evidence of both the potential and the complexity of Parys Mountain and are encouraging. Complete lithogeochemical analysis and geophysical surveys must be completed. However, it is clear that a "step-out hole" about 100 metres to the north is a very obvious follow up target.

The results of the ongoing geological assessment and the exploration programme carried out over the past year demonstrate clearly that the Parys Mountain property requires and justifies a major new drilling programme and that the potential for the discovery of substantial additional mineral resources in previously largely untested areas of the property is very significant. Geological assessment and advanced technological studies will be continued. The company has planned and laid out a drilling programme comprising a minimum of 10,000 metres in 10 to 15 holes.

Major improvements in technology in recent years have had a significant impact on mineral exploration. Anglesey Mining has been at the forefront of the application and use of new methods and technologies and advanced instruments to help unravel the geological mysteries of Parys Mountain.

Lithogeochemistry

Over the past three years major lithogeochemical studies have been carried out at Parys Mountain. This work, which has been undertaken by Dr. Tim Barrett of Ore Systems Consulting of Vancouver in conjunction with Cardiff University of Wales and using the analytical laboratory at McGill University in Montreal, involved the re-examination of large quantities of drill core and outcrop. The work was significantly expanded during the year to include the current drilling and to extend to other parts of the property.

Lithogeochemistry depends on the observation that, although the chemical composition of rocks today may be very different to their original composition, certain of the elements within the rock are relatively immobile and do not change.

In order to apply lithogeochemistry it is necessary to accurately analyse rock using X-ray fluorescence and inductively-coupled-plasma mass-spectrometry or similar techniques.

Lithogeochemistry can not only identify rocks to the point where individual lava eruptions can be recognised, but the data can also provide information about the nature of the geological environment in which the volcanic activity occurred, such as a volcanic continental arc or rifted oceanic crust. Additionally lithogeochemical data allow hydrothermal alteration to be characterised and quantified accurately using mass-change techniques.

The goal of all this is to identify and follow volcanic units and their contacts with each other and with the surrounding shales as doing so will lead to the areas most likely to contain mineralisation.

Infrared Mineral Analysis

Mineral deposits are associated with hydrothermal alteration of the surrounding rocks. Such alteration commonly forms a halo around the mineralisation, providing an exploration target considerably larger than the deposit itself. The delineation and characterisation of hydrothermal alteration can therefore be of great value in mineral exploration for the identification and assessment of new targets.

Until recently, assessment of alteration assemblages was often difficult because of the fine grain-size of the minerals, and could only be accomplished by expensive and time consuming laboratory techniques. However, this problem can now be addressed using an instrument known as a PIMA (portable infrared mineral analyser), originally developed in Australia, which is a hand-held spectrometer which can provide important information on rocks, minerals and soils. The instrument is capable of detecting many of the minerals commonly found in hydrothermal alteration systems, such as clays, carbonates and sulphates

During the last year a joint project was carried out in conjunction with the British Geological Survey, supported by the Department of Trade and Industry, using the PIMA to examine the nature and distribution of alteration in the volcanogenic massive sulphide rocks at Parys Mountain.

The PIMA was successful in detecting distinctive mineral assemblages related to geology and formed by the alteration of the host rocks during interaction with mineralising fluids at Parys Mountain.

3D modelling

Anglesey has been working closely with the British Geological Survey in the application of 3-D visualisation and virtual-reality models to mineral exploration and mine development. BGS staff have worked with Anglesey on a project under the Technology Access Programme of the Department of Trade and Industry on a model of the geology and mineralisation at Parys Mountain so that the underground geology can be better understood and new exploration can be targeted. All the significant historic and new data from Parys Mountain has now been loaded into the BGS Vulcan 3D modelling system. Completing this process was time consuming because of the amount of data involved. It is planned to continue the examination and review of this data using Vulcan.

Radio isotope dating

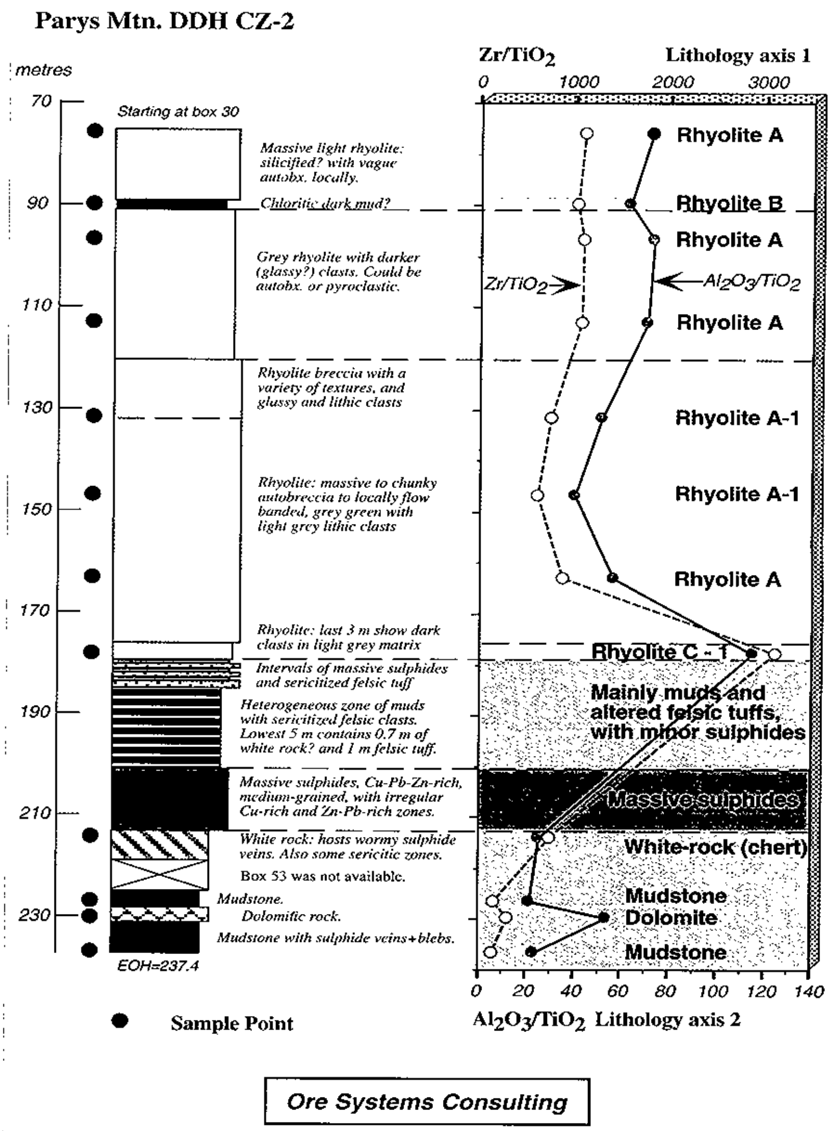
The volcanogenic massive sulphide (VMS) deposits at Parys Mountain were originally formed in the vicinity of large submarine volcanic centres with associated hydrothermal systems.

In an effort to determine the age and duration of hydrothermal and volcanic activity at Parys Mountain where mineralisation occurs at three levels within the succession, a special project using radio isotope geochronology has been undertaken with the British Geological Survey. This project utilises the very high precision method of uranium/lead dating of the mineral zircon. Because of the unique attributes of the uranium/lead decay system, it is possible to date rocks to within approximately 500,000 years even when the rocks are as old as 2,700 million years.

This technique has been applied to the deposits at Parys Mountain only recently but if it is proved to be successful its impact might have far reaching consequences for the understanding of the formation of these orebodies.

Palaeontology

Palaeontology studies in conjunction with Leicester University were carried out in 1996 in order to help to determine the overall stratigraphic relationships at Parys Mountain. A review involving further evaluation of palaeontological data and examination of shale sequences has been completed in 1998. Determining the ages of the shale units at Parys Mountain will be very helpful in establishing the overall structural relations at the property. Systematic collections have not as yet been made from all of the property and a further phase of micro-paleontological dating forms part of the company's plans.



Lithogeochemistry

Diagram charting variations in immobile minerals of drill hole CZ-2 showing how the ratios between the minerals can be used to identify rock types, despite differences in their appearance.

The Parys Mountain property is the largest and the only undeveloped polymetallic mineral deposit in the United Kingdom. It contains an important identified geological resource of about 6.5 million tonnes with a grade of 5.3% zinc, 2.3% copper, 2.7% lead, 39 grams of silver and 0.32 grams of gold per tonne. A positive independent feasibility study was completed in 1990 and full planning permission obtained for a 1,000 tonne per day mine.

Geologists at Anglesey

Left to right:
Dr. Randall Parrish - British Geological Survey;
Dr David James - Visiting Professor, Imperial College London;
Steve Tennant - Cardiff University
and
Dr Tim Barrett, Ore Systems Consulting.

A complete geological reassessment of the property is being carried out and this has resulted in the development of new geological models which indicate that there is potential for the discovery of substantial additional mineral resources in areas east and north of the known resource largely unexplored to date.

A new exploration programme was launched in 1997 and four diamond drill holes were completed. The objective of the new exploration programme is to develop significantly larger mineral deposits at Parys Mountain.

Location

The Parys Mountain property is located in the northern part of the island of Anglesey in north Wales. The mineral property is about 3 kilometres in length and covers more than 2 square kilometres. The company owns the freehold, to about a half of this area and a leasehold of the other half and holds the mineral rights to the entire property. The company also has a mining lease from the Crown for gold and silver over a wider area.

The property is located 2 miles south of the town of Amlwch. The port of Holyhead is 18 miles to the west. Access to the property is excellent by road, rail and sea. All necessary services and resources including power, engineering, maintenance facilities and a skilled labour force are located nearby.

History

Parys Mountain has been the site of intermittent mining activity since at least Roman times. During the 1780s Parys Mountain was the largest copper mine in the world. Open pit and underground mining were carried out over a strike length of more than 3 kilometres and to depths of about 200 metres, the deepest then achievable by known technologies. Almost all activities ceased by the beginning of the 20th century.

In the 1960s the search for a new mine at Parys Mountain recommenced. Exploration in the 1960s and 1970s was focused on the extension of the old open pit workings and was directed towards copper. This exploration utilised a variety of geological, geophysical and geochemical methods together with approximately 285 diamond drill holes totalling about 60,000 metres of drilling.

The modern phase of exploration of Parys Mountain began in the early 1980s when a new important polymetallic zinc, lead, copper, silver, gold area was identified about 1 kilometre west of the old workings.

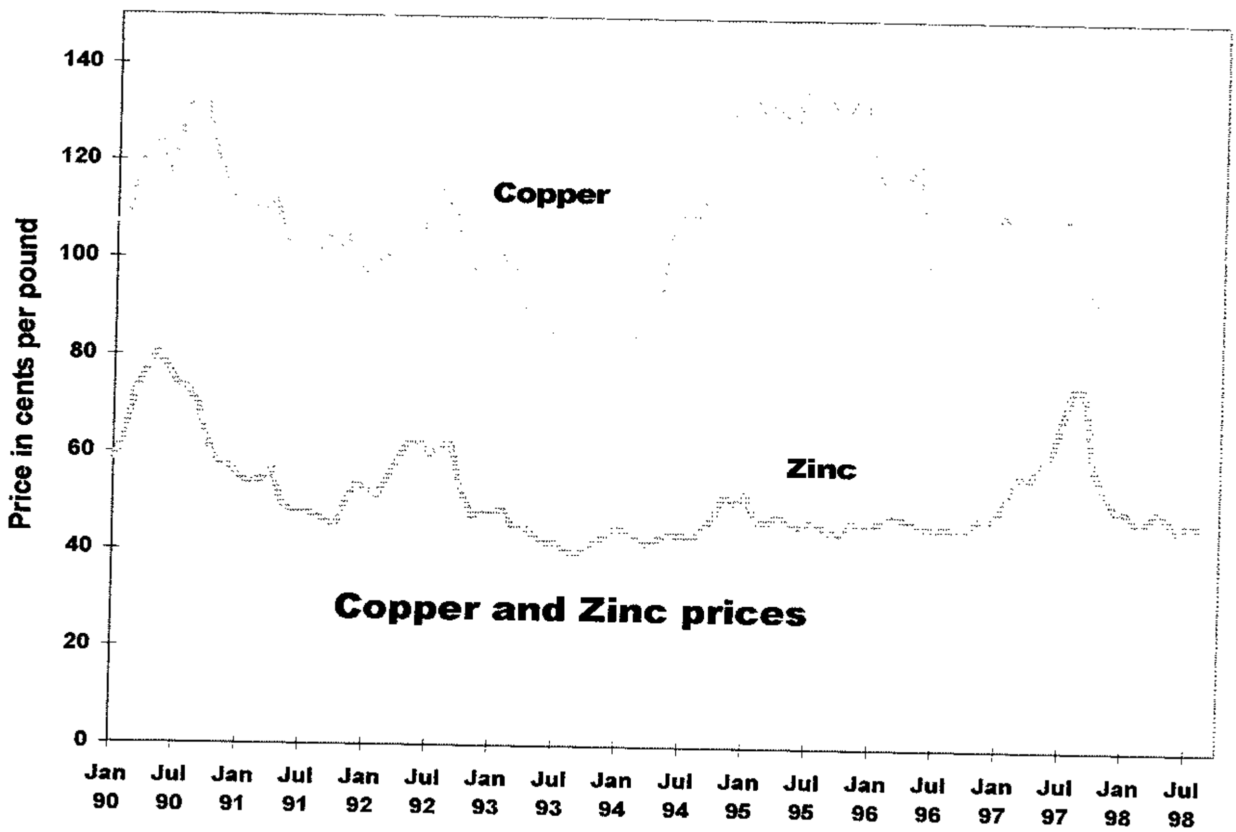
Between 1988 and 1990 a shaft was sunk to a depth of 300 metres. About 1,000 metres of lateral development were completed on the 280 metre level. Drilling and underground development work from 1988 to 1990 resulted in the identification of the Engine, White Rock and Chapel zones containing a resource of 6.5 million tonnes with a combined base metal grade (zinc, copper and lead) of 10.3%.

Approximately 2,000 tonnes of development ore were successfully hoisted and processed through a pilot plant constructed on the site for metallurgical testing and concentrate production of about 200 tonnes was sold to the smelter at Avonmouth.

Feasibility Study

In 1990 Kilborn Engineering completed an independent feasibility study of the project that confirmed the technical and economic viability of a 1,000 tonne per day (300,000 tonnes per year) mining and milling operation producing zinc, copper, lead and gold concentrates. Kilborn estimated the capital cost of the mine at £22 million. This study was based on a mineable reserve of 1,963,000 tonnes at a grade of 6.43% zinc, 1.30% copper, 3.32% lead, 75 grams of silver and 0.51 grams of gold per tonne and a mine life of seven years. This mineable reserve covered the shaft development area, being only a portion of the overall geological resource of 6.5 million tonnes.

Detailed mine and plant designs were prepared and planning permission obtained. At the same time an environmental protection programme was devised also giving attention to historical and archaeological concerns. Declining metal prices and weakening stock markets in 1991 and 1992 resulted in development of the project being placed on hold. The property has been maintained on a care and maintenance basis since that time. Reassessment of the geology commenced in 1995 and is continuing up to date.



Dolaucothi Gold Property

In August 1997 Anglesey acquired the Ogafau/Dolaucothi gold property at Pumpsaint near Lampeter in mid Wales, through the purchase of Anglo Canadian Exploration (ACE) Limited.

The Dolaucothi property has a long history of gold production going back to Roman times. Within the property is the former producing Ogafau gold mine which is believed to have been one of the primary mining interests of the Romans in Britain.

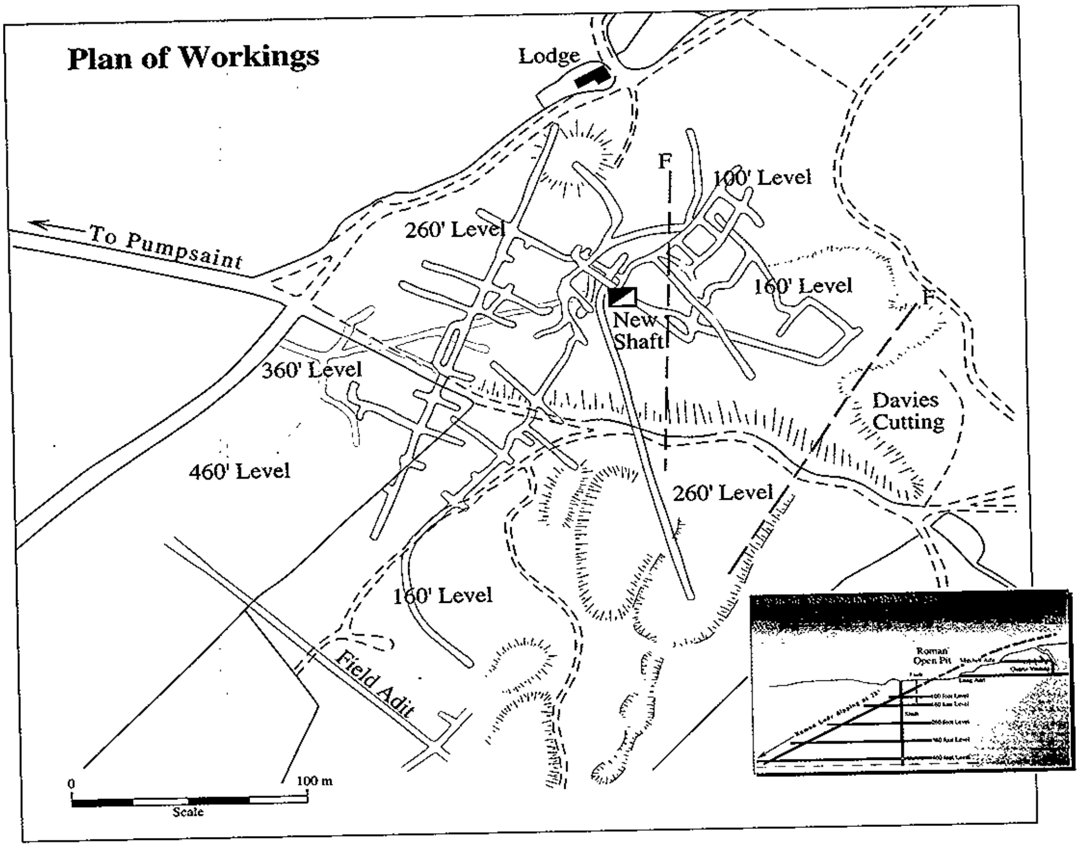
The Dolaucothi mining area consists of a series of old workings including open pits, trenches, adits and shafts which are distributed over a distance of 1.1 kilometres. These old workings are the product of four main periods of mining, the first in Roman times, the second in the late 19th century, the third in the early 20th century whilst the final and most intensive phase lasted from 1931 until the onset of war in 1939.

In the early 1970s an exploration licence was acquired by Anglo Canadian Exploration (ACE) Limited and Ace carried out intermittent exploration. At the same time the Cardiff University of Wales established a mining field and research centre managed by the Department of Earth Sciences and the School of Engineering. Parts of the old workings have been rehabilitated for educational and tourist use.

During 1997 Anglesey negotiated a new mining lease from the Crown which expires in 2012 and which covers a contiguous area of approximately 11,000 acres surrounding the mining area but excluding a small parcel of about 8.5 acres at the Ogafau pit which is leased by the Crown to the University for research and educational purposes.

Work in 1997 was limited to compilation and reconnaissance. Anglesey plans to initiate a diamond drilling programme aimed at specific targets down dip from the old Ogafau mine. There has been no previous exploration of these targets. All previous work concentrated in the old workings and there was only minor effort to explore elsewhere within the property.

In conjunction with Cardiff University of Wales, a short hole will be drilled as part of the University's research and training programme. This hole is planned for late 1998.



The directors have pleasure in submitting their report and the accounts for the year ended 31 March 1998.

Principal activities and business review

The principal activity of Anglesey Mining plc during the year was the development of the Parys Mountain property. The company also evaluated other mineral development opportunities and acquired control of the Dolaucothi gold property in south Wales.

The loss for the year before taxation was £97,551 *(1997 £98,446)*. The company has no revenues from the operation of its properties and almost all of this loss represents corporate and administrative expenses which, in accordance with the company's accounting policy, are charged to the Profit and Loss Account. During the year fixed assets totalling £121,549 *(1997 - nil)* were acquired, £414,658 *(1997 - £135,268)* was capitalised in respect of the development of the Parys Mountain property and £98,531 *(1997 - £97,040)* was expended on corporate costs, administration expenses and the investigation of exploration and development opportunities. The expenditure on development at Parys Mountain increased in comparison with last year because of (a) increased geological activities, (b) costs associated with the acquisition of the leasehold and freehold of Parys Mountain and (c) the acquisition of Parys Mountain Mines Limited.

The company is continuing the exploration of the Parys Mountain property by its ongoing geological re-assessment programme and further lithogeochemical studies to which has been added diamond core drilling which commenced in October 1997. Diamond core drilling is arranged at the new Dolaucothi site and further geological evaluation is also planned. In order to carry out all these activities further funding will be required. The directors remain attentive for opportunities to be involved in appropriate new mineral ventures.

Four significant transactions were completed in August 1997 and were described in detail in last year's report. In brief they were :

- The purchase for £120,000 of the freehold of the western portion of Parys Mountain.
- The purchase of Parys Mountain Mines Limited.
- The purchase of Anglo Canadian Exploration (Ace) Ltd, which holds the Dolaucothi property.
- A private placing to raise £485,000 net of expenses

The directors are unable to recommend a dividend. Since the date of the accounts the activities of the company have continued in accordance with the directors' expectations.

Post balance sheet events

Details of significant post balance sheet events are included in note 25 to the accounts.

Subsidiaries and consolidation

Following the acquisition of subsidiaries during the year consolidated accounts have been prepared this year. The subsidiaries of the company at 31 March 1998 (unchanged at 25 September 1998) are:

Anglo Canadian Exploration (Ace) Limited
Parys Mountain Mines Limited - Incorporated in Ontario, Canada
Parys Mountain Mines (UK) Limited.

Intangible fixed assets

Development expenditure incurred by the company is carried in the financial statements classified as intangible assets at cost. The directors continue to give careful consideration to the value at which this development expenditure should be shown. The balance sheet value may exceed that which could be obtained were the property offered for sale at this time. However the results of the independent feasibility study conducted in 1990 and other studies since that date, taken together with the directors' reasonable forecast of metal prices during the projected life of the mine, demonstrate that this development expenditure, together with other expenditure required to bring the mine into production, will be recovered by the operation of the mine. Consequently no provision, amortisation or write down in the value of intangible fixed assets has been made.

Operation of the mine is dependent on finance being available to fund mine development and mill construction.

Market value of land

During the year the freehold of the western part of Parys Mountain was purchased by the company. The directors are required to state whether there is any significant difference between the market value of the land owned by the company and the value at which it is held in the accounts. For many reasons, obtaining a meaningful value for this land is difficult, especially given its historical use and that the company's pre-existing interest in the mineral rights would also have to be taken into account. The land is carried in the accounts at a value of £120,000. The directors are able to state only that, in their opinion, the market value of this land is unlikely to be significantly less than this figure.

Going concern basis

As in previous years the directors have given careful consideration to the appropriateness of the going concern concept in the preparation of the financial statements. The validity of the going concern concept is dependent on finance being available for the continuing working capital requirements of the company and finance for the development of the Parys Mountain property eventually becoming available.

The directors believe that the steps outlined in this report represent solid progress and that, whilst there is uncertainty as to whether these conditions will be met, the going concern basis is appropriate for these financial statements.

Directors' responsibilities

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and that reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31 March 1998. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The names of directors with biographical details are shown on page 32. In accordance with the articles of association, John Kearney retires by rotation and, being eligible, offers himself for re-election. On 22 December 1997 Ian Cuthbertson, the company secretary, was appointed to the board as finance director and Malcolm Burne was appointed as a non-executive director. Both of these directors offer themselves for election at the annual general meeting. Lord Crickhowell, Malcolm Swallow and Malcolm Burne are regarded as being 'independent' non-executive directors for Hampel committee purposes.

Juno Limited ("Juno") which is registered in Bermuda is the ultimate parent company. The company has a controlling shareholder agreement with Juno dated September 1996, a working capital agreement with Juno of the same date and a further working capital agreement of June 1998. Apart from the working capital advances and the acquisition of Anglo Canadian Exploration (Ace) Limited described elsewhere in this report there were no transactions between the company and Juno and its group during the year. Danesh Varma is a director and, through his family interests, a significant shareholder of Juno. John Kearney is a director and shareholder of Irish Marine Oil plc (and certain of its subsidiaries) in which Juno holds an interest of approximately 30%.

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

Directors' shareholdings

The interests at 31 March 1998 of the directors and their families in the share capital of the company, all of which are beneficial, are set out below. These holdings were unchanged in amount at 25 September 1998. The holdings are expressed as a percentage of 114,643,858 *(1997 - 103,343,858)* shares, this being the number of shares in issue at 25 September 1998.

	At 31 March 1998			*At 31 March 1997**		
Director	**Number of options**	**Number of ordinary shares**	**% of issued ordinary shares**	***Number of options***	***Number of ordinary shares***	***% of issued ordinary shares***
John Kearney	1,960,000	-	1.7	*1,960,000*	-	*1.9*
Lord Crickhowell	600,000	455,555	0.9	*600,000*	*455,555*	*1.0*
Malcolm Burne	500,000	1,000,000	1.3	*500,000*	-	*0.5*
Ian Cuthbertson	600,000	500,000	1.0	*600,000*	*500,000*	*1.1*
Malcolm Swallow	600,000	-	0.5	*600,000*	-	*0.6*
Danesh Varma	300,000	-	0.3	*300,000*	-	*0.3*

* or date of appointment, if later

Directors' remuneration

Except in the case of Ian Cuthbertson, there are no directors' service contracts and no arrangements in force whereby the company is under an obligation to pay fees, salaries, pensions or any other remuneration to any of the directors.

In view of the small size of the board, the directors had not considered it appropriate to formally constitute the remuneration committee which is recommended by section A of the best practice provisions annexed to the London Stock Exchange listing rules. In any matter concerned with directors' remuneration, decisions were made by the entire board. Three of the board's five members are non-executive directors. In other respects the company has complied with the best practice provisions. Since the year end the company has set up a formal remuneration committee.

The company's policy with regard to directors' remuneration is to provide a remuneration package which will attract, retain and motivate directors of the calibre required and also be consistent with the company's limited ability to pay for such a package in cash. In determining the company's policy with regard to directors' remuneration the board gave full consideration to section B of the best practice provisions annexed to the London Stock Exchange listing rules.

Details of directors' remuneration are as follows:

Name	**Salary and fees**	**Benefits in kind**	**Other emoluments**	**Pension contri-butions**	**Total emoluments**
Executive directors					
John Kearney	-	-	-	-	-
Ian Cuthbertson	7,429	95	-	253	7,777
Non-executive directors					
Lord Crickhowell	-	-	-	-	-
Malcolm Burne	-	-	-	-	-
Malcolm Swallow	-	-	-	-	-
Danesh Varma	-	-	-	-	-
Totals	**7,429**	**95**	-	**253**	***7,777***

The remuneration shown above in respect of Ian Cuthbertson is that from 22 December 1997, the date of his appointment as a director. Pension contributions are to a defined contribution pension scheme.

Directors' options

Details of each share option held by directors at 31 March 1998 are set out below. These holdings were unchanged in amount at 25 September 1998:

Name	Options at 31 March 98	Granted in year	Exercise price	Date from which exercisable	Expiry date
John Kearney	*1,960,000	-	5p	23 October 96	22 October 2003
Lord Crickhowell	384,000	-	5p	30 November 95	30 November 1999
Lord Crickhowell	*216,000	-	5p	23 October 96	22 October 2003
Malcolm Burne	*500,000	500,000	8.5p	22 December 97	22 October 2003
Ian Cuthbertson	400,000	-	5p	30 November 95	30 November 2002
Ian Cuthbertson	200,000	-	5p	23 October 96	22 October 2006
Malcolm Swallow	600,000	-	5p	30 November 95	30 November 2002
Danesh Varma	*300,000	-	5p	23 October 96	22 October 2003

There are performance criteria to be met in respect of share options marked with an asterisk, namely that the company's share price performance must exceed that of the companies in the top quartile of the FTSE 100 index. There are no performance criteria to be met in respect of other share options. Each option was granted at a cost of £1. No share options have been exercised during the year.

The market price of the ordinary shares at 31 March 1998 was 7.5 pence, the high for the year to 31 March 1998 was 16.25 pence and the low for the year was 2.25 pence.

All directors and employees are eligible to receive options. In determining the amount of options to be granted to each individual, the directors take into account the need for and value of his services, the amount of time he spends on the business of the company and any other remuneration receivable by him from the company.

Taxation

The company is not a close company within the provisions of the Income and Corporation Taxes Act 1988 and this position has not changed since the end of the financial year.

Creditor payment policy

The company's policy in relation to the payment of its creditors is to settle its terms of payment with each creditor when agreeing the terms of each business transaction. The creditor is made aware of the terms, which may be varied subsequently by agreement. It is company practice to abide by the agreed terms of payment. The company's average creditor payment period at 31 March 1998 was 89 days *(1997 - 68 days)*. This increase in payment period is due to relatively large amounts due to the drilling contractor at the year end without a corresponding turnover in the year.

Substantial shareholders

At 25 September 1998 the following shareholders had advised the company of an interest in the ordinary share capital of the company. So far as the company is aware there are no other interests of more than 3% in the ordinary share capital of the company.

Name	Number of shares	Percentage of share capital
Juno Limited	55,350,000	50.02
Strategic Lines Asset Management Limited	9,800,000	8.6

Authority to allot shares

Although the directors would usually wish to allot any new share capital on a pre-emptive basis, they believe it is appropriate to have a larger amount available for issue at their discretion without pre-emption, than is usually the case. Accordingly a resolution will be put to the AGM to renew the directors' authority to allot equity securities for cash without pre-emption. In the case of allotments other than for rights issues, it is proposed that such authority will be for up to £573,000, being approximately 10% of the issued ordinary share capital at 25 September 1998. This continues the authority granted to the directors at each annual general meeting since 1993 and whilst such authority is in excess of the 5% of existing issued ordinary share capital which is normal for listed companies, it will provide additional flexibility which the directors believe is in the best interests of the company in its present circumstances.

The authority granted to directors to allot shares under section 80 of the Companies Act at the EGM on 23 October 1996 has now been almost utilised. Consequently a resolution granting the directors powers to allot shares of a nominal value of up to £817,807 being all the authorised but unissued share capital, and representing 14% of the issued share capital, will be proposed at the AGM.

Charitable and political contributions

The company made no contributions during the year. *(1997 - nil).*

Employment

The company is an equal opportunity employer in all respects.

Year 2000 and the Euro

The directors do not anticipate any difficulties in connection with the introduction of the Euro, nor complications in respect of the company's information technology systems at the millennium. The estimated cost of any changes will not be significant for the group

Auditors

Coopers & Lybrand tendered their resignation as the company's auditors on 14 July 1998. There were no matters in connection with this resignation to be brought to the attention of the shareholders.

The directors appointed Deloitte and Touche to fill the vacancy and a resolution to confirm this appointment and to authorise the directors to fix the auditors remuneration will be proposed at the annual general meeting.

By order of the board

Ian Cuthbertson

Company Secretary

Amlwch, 29 September 1998

Report on corporate governance

The board has considered its policies and practices in relation to corporate governance in the light of recommendations contained in the Code of Best Practice ("the Code") issued in December 1992 by the Cadbury Committee on the financial aspects of corporate governance. The board supports the highest standards in corporate governance but is of the opinion that certain of the recommendations of the Code are not applicable or appropriate for the company at present. The board believes it has substantially complied with the Code throughout the accounting period after taking into account the recommendations on the Code by The City Group for Smaller Companies, CISCO. However the company did not comply with paragraphs 2.3, 2.4, 3.3 and 4.3 of the Code which relate to the selection of non-executive directors and the setting up of formal remuneration and audit committees. There are no formal selection or re-appointment procedures for non-executive directors. The current non-executive directors were not appointed for specific terms but are subject to retirement from the board by rotation at annual general meetings. An independent committee reviews all transactions with Juno Limited. A remuneration committee has been set up since the year end. Informal committees are appointed from time to time to review financial statements. All significant matters are reserved for decision by the board.

The board of directors is responsible for and has reviewed the company's systems of internal financial control. Such systems provide reasonable and not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The key feature of the company's control system is that board members directly monitor all payments and transactions as well as budgets and annual accounts. The company's strategy is determined by the whole board.

The company has entered into a controlling shareholder agreement with Juno Limited which is available for inspection at the registered office.

The company's compliance with the Code has been reviewed by the auditors and their report is set out below.

Report of the auditors to Anglesey Mining plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement above concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v)

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control above and going concern on page 12, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement above appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte and Touche

Chartered Accountants

Dublin, 29 September 1998

authority granted to the directors at each annual general meeting since 1993 and whilst such authority is in excess of the 5% of existing issued ordinary share capital which is normal for listed companies, it will provide additional flexibility which the directors believe is in the best interests of the company in its present circumstances.

The authority granted to directors to allot shares under section 80 of the Companies Act at the EGM on 23 October 1996 has now been almost utilised. Consequently a resolution granting the directors powers to allot shares of a nominal value of up to £817,807 being all the authorised but unissued share capital, and representing 14% of the issued share capital, will be proposed at the AGM.

Charitable and political contributions

The company made no contributions during the year. *(1997 - nil).*

Employment

The company is an equal opportunity employer in all respects.

Year 2000 and the Euro

The directors do not anticipate any difficulties in connection with the introduction of the Euro, nor complications in respect of the company's information technology systems at the millennium. The estimated cost of any changes will not be significant for the group

Auditors

Coopers & Lybrand tendered their resignation as the company's auditors on 14 July 1998. There were no matters in connection with this resignation to be brought to the attention of the shareholders.

The directors appointed Deloitte and Touche to fill the vacancy and a resolution to confirm this appointment and to authorise the directors to fix the auditors remuneration will be proposed at the annual general meeting.

By order of the board

Ian Cuthbertson

Company Secretary

Amlwch, 29 September 1998

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Report on corporate governance

The board has considered its policies and practices in relation to corporate governance in the light of recommendations contained in the Code of Best Practice ("the Code") issued in December 1992 by the Cadbury Committee on the financial aspects of corporate governance. The board supports the highest standards in corporate governance but is of the opinion that certain of the recommendations of the Code are not applicable or appropriate for the company at present. The board believes it has substantially complied with the Code throughout the accounting period after taking into account the recommendations on the Code by The City Group for Smaller Companies, CISCO. However the company did not comply with paragraphs 2.3, 2.4, 3.3 and 4.3 of the Code which relate to the selection of non-executive directors and the setting up of formal remuneration and audit committees. There are no formal selection or re-appointment procedures for non-executive directors. The current non-executive directors were not appointed for specific terms but are subject to retirement from the board by rotation at annual general meetings. An independent committee reviews all transactions with Juno Limited. A remuneration committee has been set up since the year end. Informal committees are appointed from time to time to review financial statements. All significant matters are reserved for decision by the board.

The board of directors is responsible for and has reviewed the company's systems of internal financial control. Such systems provide reasonable and not absolute assurance of the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The key feature of the company's control system is that board members directly monitor all payments and transactions as well as budgets and annual accounts. The company's strategy is determined by the whole board.

The company has entered into a controlling shareholder agreement with Juno Limited which is available for inspection at the registered office.

The company's compliance with the Code has been reviewed by the auditors and their report is set out below.

Report of the auditors to Anglesey Mining plc on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement above concerning the company's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to any non-compliance with Listing Rules 12.43(j) and 12.43(v)

Basis of opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the company's system of internal financial control or its corporate governance procedures nor on the ability of the company to continue in operational existence.

Opinion

With respect to the directors' statements on internal financial control above and going concern on page 12, in our opinion the directors have provided the disclosures required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement above appropriately reflects the company's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43 (j).

Deloitte and Touche

Chartered Accountants

Dublin, 29 September 1998

Report of the auditors to the members of Anglesey Mining plc

We have audited the financial statements on pages 18 to 29.

Respective responsibilities of directors and auditors

As described on page 12 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Fundamental uncertainties

In forming our opinion we have considered the adequacy of the disclosures in the financial statements concerning the basis of preparation and the recoverability of development and exploration expenditure.

The financial statements have been prepared on a going concern basis, the validity of which depends on:

- the group's ability to continue its operations
- the raising of new finance to develop the mine
- the viability of the operation of the mine, and
- the ability of the group to trade profitably in the future.

The financial statements do not include any adjustments that would result should the above conditions not be met. Details of the circumstances relating to this fundamental uncertainty are described in the directors' report on page 12 and in note 1 to the financial statements.

The financial statements disclose the directors' assumption that the development and exploration expenditure, included in the balance sheet at £11,563,484 and in the consolidated balance sheet at £11,730,369 will be recovered by the operation of the mine. The validity of this assumption depends upon the viability of the operation of the mine, the ability of the group to raise the funding referred to above and the ability of the group to trade profitability in the future. Details of the circumstances relating to this fundamental uncertainty are described in note 7 to the financial statements.

Our opinion is not qualified in respect of the above fundamental uncertainties.

Opinion

In our opinion the financial statements give a true and fair view of the state of the group's affairs at 31 March 1998 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte and Touche

Chartered Accountants and Registered Auditors

Dublin, 29 September 1998

Balance Sheets

At 31 March 1998

	Note	Group 1998 £	Group *1997 £*	Company 1998 £	Company *1997 £*
FIXED ASSETS					
Intangible assets	7	11,730,369	*11,148,826*	11,563,484	*11,148,826*
Tangible assets	8	186,490	*66,538*	186,490	*66,538*
Financial assets	9	-	-	100,001	-
		11,916,859	*11,215,364*	11,849,975	*11,215,364*
CURRENT ASSETS					
Debtors	10	99,300	*95,472*	262,184	*95,472*
Cash at bank and in hand		126,426	*54,033*	126,426	*54,033*
		225,726	*149,505*	388,610	*149,505*
CURRENT LIABILITIES					
Creditors - amounts due within one year	11	(298,975)	*(123,998)*	(394,975)	*(123,998)*
NET CURRENT (LIABILITIES)/ASSETS		(73,249)	*25,507*	(6,365)	*25,507*
TOTAL NET ASSETS		11,843,610	*11,240,871*	11,843,610	*11,240,871*
SHAREHOLDERS' FUNDS					
Share capital	12	6,518,371	*5,813,371*	6,518,371	*5,813,371*
Share premium	13	5,738,346	*5,743,056*	5,738,346	*5,743,056*
Profit & loss account - deficit		(413,107)	*(315,556)*	(413,107)	*(315,556)*
Equity shareholders' funds		10,982,432	*10,379,693*	10,982,432	*10,379,693*
Non equity shareholders' funds		861,178	*861,178*	861,178	*861,178*
TOTAL SHAREHOLDERS' FUNDS	13	11,843,610	*11,240,871*	11,843,610	*11,240,871*

The financial statements on pages 18 to 29 were approved by the board of directors on 29 September 1998 and were signed on its behalf by :

John F. Kearney, Chairman

Ian Cuthbertson, Finance Director

For the year ended 31 March 1998

	Note	1998 £	*1997* *£*
Turnover - continuing operations		-	*-*
Net operating expenses		(98,551)	*(97,040)*
Operating loss - continuing operations		(98,551)	*(97,040)*
Interest receivable	3	9,427	*3,718*
Interest payable	3	(8,427)	*(5,124)*
Loss on ordinary activities before taxation	2	(97,551)	*(98,446)*
Tax on loss on ordinary activities	5	-	*-*
Retained loss for the year	13	(97,551)	*(98,446)*
Loss per share - basic		(0.1) pence	*(0.1) pence*

The group has no recognised gains or losses other than the losses shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

For the year ended 31 March 1998

	Note	1998 £	*1997 £*
Net cash (outflow) from continuing operating activities	15	(21,248)	*(76,735)*
Returns on investments and servicing of finance			
Interest received		5,990	*782*
Interest paid		-	-
		5,990	*782*
Taxation			
UK Corporation tax paid		(10,544)	*(4,000)*
Capital expenditure and financial investment			
Payments to acquire intangible fixed assets		(286,274)	*(76,396)*
Payments to acquire tangible fixed assets		(101,549)	-
Receipt from sale of tangible fixed assets		729	-
		(387,094)	*(76,396)*
Acquisitions and disposals		-	-
Purchase of subsidiary undertaking		(1)	-
Net cash outflow before management of liquid resources and financing		(412,897)	*(156,349)*
Management of liquid resources		-	-
Financing			
Issue of ordinary share capital		490,000	-
Increase in loans		-	*260,000*
Expenses of share issues in year		(4,710)	*(49,675)*
		485,290	*210,325*
Increase in cash	16	72,393	*53,976*

1 Principal Accounting Policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and on a going concern basis. As explained in the directors' report the validity of the going concern basis is uncertain. However based on the assumption that finance will become available for the development of the group's intangible fixed assets, the directors believe that the going concern basis is appropriate for these accounts. Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of the group's assets, in particular the intangible fixed assets, to their realisable values.

Consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries made up to the end of the financial year. Where a subsidiary is acquired or disposed of during the financial year, the consolidated financial statements include the attributable profit from or to the date of acquisition or disposal.

As this is the first year of consolidation the comparative balance sheet and profit and loss account are in respect of the parent company only.

Tangible fixed assets

The group's freehold property is stated in the balance sheet at cost. The directors consider that the useful life of the premises is so long and their estimated residual value, based on prices prevailing at the date of acquisition, is such that any depreciation would not be material. The carrying value is reviewed annually and any permanent diminution in value would be charged immediately to the profit and loss account.

Plant, equipment, fixtures, fittings and motor vehicles are stated in the balance sheet at cost, less depreciation.

Depreciation is charged on a straight line basis at the following annual rates:

Plant and equipment	25%
Fixtures and fittings	20%
Motor vehicles	25%

Intangible fixed assets

Intangible fixed assets are stated in the balance sheet at cost, less amounts written off. Details are included in note 7 to the accounts.

The group follows the method of accounting for its mineral properties whereby all costs related to acquisition, exploration and development, including associated technical and specific administrative expenses, are capitalised by property.

No gains or losses are recognised on the sale of mineral properties except when there is a material disposition of reserves. All other proceeds are credited against the cost of the related property. On the commencement of commercial production, net costs are charged to operations on the unit-of-production method by property, based upon estimated recoverable reserves.

Mineral properties are written down when a permanent and significant decline in their value has occurred and are written off when abandoned.

Deferred taxation

Deferred taxation arises when items are recognised for tax purposes in periods that differ from the periods in which the items are recognised for accounting purposes. The group provides for deferred taxation using the liability method on timing differences only where it can be reasonably demonstrated that a corporation tax liability will arise in the foreseeable future. Deferred tax assets are not recognised in the financial statements.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated at the rates of exchange ruling at the date of the transaction, or where forward currency contracts have been arranged, at the contracted rates.

All foreign exchange differences arising on transactions in the year are taken to the profit and loss account in the year in which they arise.

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year or at a contracted rate if applicable. Differences on exchange are taken to the profit and loss account.

2 Loss on ordinary activities before taxation

	1998 £	*1997 £*
This is stated after charging/(crediting):		
Remuneration of the auditors (including expenses) : -		
Audit	6,250	*3,500*
Non audit	-	*7,100*
(Gain) on foreign exchange	-	*(1,280)*
Depreciation	300	*-*
Included in the amount capitalised is:		
Depreciation of owned fixed assets	588	*1,167*

All activities relate to the group's principal activity which is the development of the Parys Mountain Property. Further analysis is not therefore considered necessary.

3 Interest receivable and payable

	1998 £	*1997 £*
Interest payable		
Interest to Juno on loans	8,382	*5,116*
Interest on bank overdraft	45	*8*
	8,427	*5,124*
Interest receivable		
On bank and other deposits	9,427	*3,718*

4 Directors and Employees

The average monthly number of persons employed by the group (including directors) during the year was:

	1998	*1997*
Technical	1	*-*
Administrative	2	*5*
	3	*5*

Non executive directors were counted in these numbers in 1997 but not in 1998.

The remuneration and associated costs of employees and directors were:

	£	*£*
Wages and salaries	34,791	*67,209*
Social security costs	3,353	*2,653*
Other pension costs	930	*930*
	39,074	*70,792*

Directors' aggregate emoluments (included above) were:

	1998	*1997*
	£	*£*
Fees	-	-
Other	7,777	*20,000*
	7,777	*20,000*

The group contributes to a defined contribution pension in respect of a director. These contributions are included in expenses in the year in which they arise and for this year amounted to £930 *(1997 £930)* of which the sum of £136 *(1997 £136)* was outstanding at the balance sheet date.
Most of the group's technical activities are carried out using consultants. Details of directors' share options are given in the directors' report on page 14. No options were exercised in the year.

5 Taxation

Development of the Parys Mountain property during the year has generated trading losses for taxation purposes which may be offset against investment income and other revenues. Accordingly no provision has been made for Corporation Tax. The group had losses available to be carried forward for tax purposes of c.£2 million at 31 March 1998 subject to agreement with the Inland Revenue.

6 Loss per ordinary share

	1998	*1997*
Loss per share - basic	(0.1) pence	*(0.1) pence*

The calculation of earnings per share on the net basis is based on the loss on ordinary activities after taxation of £97,551 *(1997 loss £98,446)* and on 106,407,694 ordinary shares (1997 64,937,681) being the weighted average number of ordinary shares in issue and ranking for dividend during the year.

7 Intangible fixed assets

	Parys Mountain	**Dolaucothi**	**Group**	**Company**
	£	£	£	£
At 1 April 1997	11,148,826	-	11,148,826	11,148,826
Additions - on acquisition	100,000	166,885	266,885	-
Additions - own expenditure	314,658	-	314,658	314,658
Transfer of development expenditure from a subsidiary	-	-	-	100,000
At 31 March 1998	11,563,484	166,885	11,730,369	11,563,484

The development expenditure shown above in respect of Parys Mountain is at cost. As in previous years the directors have given careful consideration to the value at which this development expenditure should be shown. The balance sheet value may exceed that which could be obtained were the Parys Mountain property to be offered for sale. However the results of the independent feasibility study conducted in 1990 and other studies since that date, taken together with the directors' reasonable forecast of metal prices during the projected life of the mine, continue to demonstrate that this development expenditure, together with other expenditure required to bring the mine into production, will be recovered by the operation of the mine. Consequently no provision or write down in the value of intangible fixed assets has been made. In the directors' opinion these circumstances justify their decision to defer the costs and not to treat them as a realised revenue loss. Operation of the mine is dependent on finance being available to fund mine development and mill construction (see note 1).

Intangible assets at Dolaucothi are shown at the value attributed to them by the directors of Anglo Canadian Exploration (Ace) Limited. This value is significantly less than original cost to Ace.

8 Tangible fixed assets

Group & Company	Freehold land and property	Plant & Equipment	Office Equipment	Vehicles	Total
	£	£	£	£	£
COST					
At 1 April 1997	65,102	52,719	16,547	6,100	140,468
Additions	120,000	-	349	1,200	121,549
Disposals	-	-	(4,441)	-	(4,441)
At 31 March 1998	**185,102**	**52,719**	**12,455**	**7,300**	**257,576**
DEPRECIATION					
At 1 April 1997	-	52,083	15,748	6,099	73,930
Charge for the year	-	428	160	300	888
Disposals	-	-	(3,732)	-	(3,732)
At 31 March 1998	-	**52,511**	**12,176**	**6,399**	**71,086**
NET BOOK VALUE 1998	**185,102**	**208**	**279**	**901**	**186,490**
NET BOOK VALUE 1997	*65,102*	*636*	*799*	*1*	*66,538*

9. Financial fixed assets

	1998	*1997*
Company		
At cost:	£	£
Shares in subsidiaries		
Opening	-	-
Acquired in the year	100,001	-
Closing	100,001	-

The subsidiaries of the group at 31 March 1998 are as follows :

Name of company	Country of incorporation	Percentage owned	Principal activity at 31 March 1998
Anglo Canadian Exploration (Ace) Limited	England & Wales	100%	Exploration of the Dolaucothi gold property
Parys Mountain Mines Limited	Ontario, Canada	100%	Dormant
Parys Mountain Mines (UK) Limited	England & Wales	100%	Dormant

10 Debtors

	Group 1998 £	*Group 1997 £*	Company 1998 £	*Company 1997 £*
Amounts receivable within one year:				
Other debtors	8,066	*7,675*	8,066	*7,675*
Amounts receivable after one year:				
Deposit with Gwynedd County Counci	91,234	*87,797*	91,234	*87,797*
Amounts due from group companies	-	-	162,884	-
	99,300	*95,472*	262,184	*95,472*

11 Creditors

	Group 1998 £	*Group 1997 £*	Company 1998 £	*Company 1997 £*
Amounts falling due within one year:				
Juno Limited	182,506	*27,680*	182,506	*27,680*
Trade creditors	74,361	*12,865*	74,361	*12,865*
Salaries, social security and other taxes	6,208	*4,460*	6,208	*4,460*
Provision for Corporation tax and interest thereon	1,500	*12,044*	1,500	*12,044*
Accruals	34,400	*66,949*	30,400	*66,949*
Amounts due from group companies	-	-	100,000	-
	298,975	*123,998*	394,975	*123,998*

12 Share capital

	Equity Interests Ordinary shares		**Non Equity Interests** Deferred shares		**Total**
	Nominal value £	Number	Nominal value £	Number	Nominal value £
Authorised capital					
At 1 April 97 & 31 March 98	6,550,000	131,000,000	1,080,000	27,000,000	7,630,000
Issued and fully paid					
At 1 April 1997	4,952,193	99,043,858	861,178	21,529,451	5,813,371
Issue to discharge a liability (a)	15,000	300,000	-	-	15,000
Acquisition of PMM Ltd (b)	100,000	2,000,000	-	-	100,000
Acquisition of Ace Ltd (c)	100,000	2,000,000	-	-	100,000
Placing for cash (d)	490,000	9,800,000	-	-	490,000
At 31 March 1998	5,657,193	113,114,858	861,178	21,529,451	6,518,371

See notes over page

Note 12 continued

(a) in satisfaction of rentals due in respect of the Parys Mountain property at 5 pence per share.
(b) part of the consideration in respect of the acquisition of Parys Mountain Mines Limited and its subsidiary Parys Mountain Mines (UK) Limited at 5 pence per share.
(c) shares issued at 5 pence per share to discharge indebtedness to QSR Limited a former parent of Anglo Canadian Exploration (Ace) Limited at the time of acquisition of that company.
(d) in respect of a placing made to Strategic Lines Asset Management Limited in August 1997 at 5 pence per share - market price on this day 2.5 pence

Since the year end 1,500,000 shares have been issued to Intermine Limited arising from the settlement of litigation.

The deferred shares are non-voting, have no entitlement to dividends and have no preferential right to return of capital on a winding up.

A summary of options over the company's share capital, all of which are over the ordinary 5 pence shares, is as follows :

Scheme	Number	Nominal Value £	Exercisable from	Exercisable until
Executive approved	1,000,000	50,000	30 November 95	30 November 2002
Unapproved	384,000	19,200	30 November 95	30 November 1999
Executive approved	200,000	10,000	23 October 96	22 October 2006
Unapproved	2,476,000	123,800	23 October 96	22 October 2003
Unapproved	500,000	25,000	22 December 97	22 October 2003
Special	1,000,000	50,000	25 April 97	22 October 2003
Total	**5,560,000**	**278,000**		

13 Share premium

Group and Company

	1998 £	*1997 £*
At 1 April 1997	5,743,056	*5,792,731*
Share issue expenses charged to share premium	(4,710)	*(49,675)*
At 31 March 1998	5,738,346	*5,743,056*

14 Reconciliation of movements in shareholders' funds

	1998 £	*1997 £*
Opening shareholders' funds	11,240,871	*8,335,605*
Loss for the year	(97,551)	*(98,446)*
Share issues in year	705,000	*3,053,387*
Share issue expenses in year	(4,710)	*(49,675)*
Closing shareholders' funds	11,843,610	*11,240,871*

15 Reconciliation of operating loss to net cash outflow from operating activities

	1998	*1997*
	£	*£*
Operating loss	(98,551)	*(97,040)*
Increase/(decrease) in creditors	77,414	*(19,287)*
(Increase) in debtors	(391)	*(408)*
Bonus charged to profit and loss account, paid in shares	-	*40,000*
Depreciation charge	300	-
Profit on disposal of fixed assets	(20)	-
Net cash (outflow) from operating activities	(21,248)	*(76,735)*

16 Reconciliation of net cash flow to movement in net debt

	1998			*1997*
	£	£	*£*	*£*
Increase in cash in the period	72,393		*53,976*	
Cash (inflow) from increase in debt	-		*(260,000)*	
Change in net debt resulting from cash flows		72,393		*(206,024)*
Other non cash items:				
Capitalisation of debt to equity		-		*2,679,905*
Liabilities reclassified as debt		-		-
Movement in net debt in the period		72,393		*2,473,881*
Net debt at 1 April 97		54,033		*(2,419,848)*
Net funds at 31 March 98		126,426		*54,033*

17 Analysis of net debt

	At 1 April 1997	Cash flow	Other non cash changes	Exchange movement	At 31 March 1998
Cash at bank	54,033	72,393	-	-	126,426
	54,033	72,393	-	-	126,426

18 Loss attributable to Anglesey Mining plc

The loss after taxation in the parent company amounted to £97,551.

A separate profit and loss account for Anglesey Mining plc (the company) has not been prepared because the conditions laid down in Section 3(2) of the Companies (Amendment) Act, 1986 have been complied with.

19 Material non cash transactions

All material non cash transactions are described in note 12 on share capital.

20 Acquisition of subsidiaries

On 27 August 1997 the company paid £1 to acquire the share capital of Anglo Canadian Exploration (Ace) Limited from an associate company and issued 2,000,000 new ordinary shares to discharge a liability of Ace to a former parent. On the same date the company issued 2,000,000 new ordinary shares to acquire Parys Mountain Mines Limited.

Details of these acquisitions, which are accounted for by the acquisition method, are as follows:

	Book value at acquisition	Fair value adjustment	Fair value to Group
	£	£	£
Intangible assets	166,885	-	166,885
Current assets	100,000	-	100,000
Creditors	(166,884)	-	(166,884)
Net assets acquired			100,001
Goodwill			-
			100,001
Satisfied by:			
Non - cash items:			
Issue of ordinary shares at a market price of 5p per share			100,000
Cash items:			
Cash paid			1
			100,001

The loss of the companies acquired from their acquisition on 27 August 1997 to 31 March 1998 is £nil.

21 Commitments

There is no capital expenditure contracted which is not provided for in these accounts *(1997 - nil).*

22 Contingent liabilities

As described in note 25 a court action which had been taken against the company and which was outstanding at 31 March 1998 was settled in accordance with an agreement dated 20 May 1998. There are no other contingent liabilities.

23 Related party transactions and ultimate parent company

Juno Limited ("Juno") which is registered in Bermuda is the ultimate parent company. The company has a controlling shareholder agreement with Juno dated September 1996, a working capital agreement with Juno of the same date and a further working capital agreement of June 1998. Apart from the working capital advances and the acquisition of Anglo Canadian Exploration (Ace) Limited described elsewhere in this report there were no transactions between the company and Juno and its group during the year. Danesh Varma is a director and, through his family interests, a significant shareholder of Juno. John Kearney is a director and shareholder of Irish Marine Oil plc (and certain of its subsidiaries) in which Juno holds an interest of approximately 30%.

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

24 Mineral leases

(a) Under lease and royalty agreements dated September 1997 the company makes an annual index linked lease payment of c.£18,000. A royalty of 6% of net profits from mining production at Parys Mountain is also payable. The lease may be terminated at 12 months notice and otherwise expires in 2070.

(b) Under a mining lease from the Crown dated December 1991 the company makes an annual lease payment of £1,000. A royalty of 4% of gross sales of gold and silver from the lease area is also payable. The lease may be terminated at 12 months notice and otherwise terminates in 2020.

(c) Under a royalty agreement with Intermine Limited (see note 25 on post balance sheet events) the company makes payments of Can$50,000 (c.£22,000) per annum until production commences at the Parys Mountain mine. At the company's option this payment may be made in shares. A royalty of 4% of the company's net profits (as defined after various deductions) generated from production at the mine is also payable. The company has an option to buy out the royalty and advance payments. The agreement may be terminated at 12 months notice on abandonment of the property.

(d) Under a mining lease from the Crown dated August 1997, a subsidiary makes lease payments of £2,500 per annum. A royalty of 4% of gross sales of gold and silver from production at the Dolaucothi mine is also payable. The lease may be terminated at 12 months notice after May 2002and otherwise terminates in 2011. Certain financial obligations relating to the lease have been guaranteed by the company.

25 Post balance sheet events

Litigation

On 28 May 1998 the company reached a comprehensive settlement with Intermine Limited, a private corporation incorporated in Ontario, Canada, which had filed a claim in the Ontario courts against the company. The claim arose under an agreement entered into in 1984 by which Intermine was entitled, together with Parys Mountain Mines Limited, to a royalty of 15% of net profits on production from the Parys Mountain mine and Anglesey had the right to purchase one half of that royalty. The company acquired Parys Mountain Mines Limited in August 1997. Under the settlement agreement, the company acquired from Intermine and Parys Mountain Mines Limited, their rights and claims to the old 15% royalty and issued to Intermine 1.5 million new ordinary shares.

Under a further new agreement Intermine will be entitled to a royalty of 4% of net profits from the operation of the Parys Mountain mine. Anglesey will have the option of buying out this royalty, initially for a price of Can. $1 million, increasing to Can.$2 million after five years or, if purchased after Anglesey has committed to put the mine into production, for the net present value of the royalty. Unless the royalty is bought out, Anglesey will make annual payments to Intermine of Can.$50,000 per annum (approximately £22,000) until the mine is in production.

New financing agreement

In June 1998 the company concluded a new financing agreement with Juno Limited, the company's major shareholder which holds 50% of the company's share capital. Under this agreement, which replaces a previous working capital agreement signed in September 1996, Juno will provide up to an additional £195,000 for the company's continuing programmes at Parys Mountain. In addition existing indebtedness of £150,000 will be carried forward as part of the new facility.

The loans of up to £345,000 from Juno are denominated in sterling, unsecured, carry interest at 10% and are repayable from any future financing undertaken by the company. In accordance with the company's Controlling Shareholder Agreement with Juno the terms of the facility were approved by an independent committee of the board.

Notice is hereby given that the annual general meeting of the company will be held at 12 noon on Thursday 29 October 1998 at the Carreg Bran Hotel, Llanfairpwll, Anglesey for the following purposes:

As Ordinary Business

1. To receive and adopt the report and accounts for the year ended 31 March 1998.
2. To re-elect as a director John Kearney who is retiring by rotation.
3. To re-elect as a director Malcolm Burne.
4. To re-elect as a director Ian Cuthbertson.
5. To re-appoint Deloitte and Touche as auditors, who were appointed by the directors during the previous year (special notice having been given pursuant to sections 379 and 388 of the Companies Act 1985) and to authorise the directors to fix their remuneration.

As Special Business

6. To consider and if thought fit to pass the following ordinary resolution:

   That for the purposes of section 80 of the Companies Act 1985 ("the Act") (and so that expressions used in this paragraph shall bear the same meaning as in that section) the Directors be and are hereby generally and unconditionally authorised (in substitution for all existing authorities) to exercise all the powers of the Company to allot relevant securities up to an aggregate nominal amount of £817,807 to such persons at such times and on such terms as they think proper during the period expiring, unless previously renewed, varied or revoked by the Company in general meeting, on the day preceding the fifth anniversary of the passing of this resolution save that the Company may before the expiry or revocation of such power make an offer or agreement which would or might require relevant securities to be allotted after the expiry or revocation and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry or revocation of the authority given by this resolution.

7. To consider and if thought fit to pass the following special resolution:

   That the directors be and are hereby empowered pursuant to section 95(1) of the Companies Act 1985 ("the Act") to allot equity securities (within the meaning of section 94(2) of the Act) for cash, pursuant to the general authority conferred on them on by resolution 6 as if section 89(1) of the Act did not apply to any such allotment.

   Provided however that the power conferred by this resolution shall be limited to:

   (a) the allotment of equity securities which are offered to all the holders of issued ordinary shares of 5 pence each of the company (at a date selected by the directors) where the equity securities respectively attributed to the holders of all ordinary shares are as nearly as practicable in proportion to the number of ordinary shares held by them but subject to such exclusions and other arrangements that the directors may deem necessary or expedient in relation to fractional entitlements or on account of any legal or practical difficulties arising in connection with the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £573,000;

   and shall expire unless renewed or revoked before that date on whichever is the earlier of the date 15 months from the date of the passing of this resolution or the completion of the next annual general meeting of the company after the passing of this resolution save that the power conferred by this resolution shall enable the company to make any offer or agreement before the expiry or revocation or variation of the period stated above which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding the expiry of such power.

By order of the board
Ian Cuthbertson
Company Secretary

Dated 29 September 1998 at Parys Mountain, Amlwch, Anglesey

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his or her place. A proxy need not be a member of the company.
2. To be valid the enclosed form of proxy (together with any power of attorney or other written authority under which it is executed or an office or notarially certified copy of such power or authority) must be duly executed and deposited with the company's registrars, Northern Registrars Limited, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0LA, not later than 48 hours before the time appointed for holding the meeting.
3. Completion and return of the form of proxy will not prevent a member from attending the meeting and voting in person if he or she so wishes.
4. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, only those previously on the register of members at 12 noon on 27 October 1998 have the right to attend and vote at the meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.

AGM Directions

The annual general meeting is to be held at the Carreg Bran Hotel, Llanfairpwll, Anglesey at 12 noon on Thursday 29 October 1998.

The hotel is situated immediately adjacent to the Britannia Bridge where the main A5/A55 road crosses the Menai Straits.

John F. Kearney

Irish, aged 47, chairman, is a mining executive with over 26 years experience in the mining industry. He is a director of several public resource companies including African Gold plc and Irish Marine Oil plc. He is a member of the Canadian Institute of Mining and Metallurgy.

Lord Crickhowell

aged 64, non-executive vice-chairman, was formerly Secretary of State for Wales. He is chairman of HTV Group Limited and IT Net Limited and a director of Associated British Ports Plc.

Malcolm Burne

aged 54, non-executive director, is a company director based in London with many years of experience in the financing and operation of mineral companies internationally. He was appointed to the board on 22 December 1997. He has been a director of more than 20 public companies, as well as being executive chairman of Australian Bullion Company (Pty) Limited, then Australia's leading gold dealers and members of the Sydney Futures Exchange. He is currently chairman of Golden Prospect Mining Company plc.

Ian Cuthbertson

aged 51, finance director and company secretary, is a chartered accountant. He has extensive experience in the international oilfield and construction industries and has been secretary of the company since 1988. He was appointed to the board on 22 December 1997.

Malcolm Swallow

aged 47, non-executive director, has 25 years active experience in the mining industry and is currently vice-president of corporate development of Imperial Metals Corporation. He is a graduate mining engineer, an associate of the Royal School of Mines, a Fellow of the Institution of Mining and Metallurgy and a chartered engineer. From 1988 to 1994 he was executive mining director of the company.

Danesh Varma

Canadian, aged 48, non-executive director, is a chartered accountant and a fellow of the Institute of Taxation. He is president of American Resource Corporation and Dundee Bancorp (India) Private Limited. He is also a director of a number of resource companies including Westfield Minerals Limited.

Parys Mountain c.1800

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The Anglesey Mining web site at **www.angleseymining.co.uk** contains further information about the company and about Parys Mountain. It has a section containing details of the history of the Mountain as well as information about the Amlwch Heritage Trust.

Anglesey Mining plc

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Parys Mountain site	Telephone 01407 831275 Fax 01407 831289
Corporate office	Telephone 01248 361333 Fax 01407 831289
Web site	www.angleseymining.co.uk
Company registered number	1849957
Shares listed	The London Stock Exchange
FT share price phone number	0891 435186 Calls charged at 50 pence per minute at all times