Anglesey Mining plc

LIM iron ore train from the James deposit near Schefferville, Labrador in transit to the port at Sept Iles.

Half yearly report 2011

Anglesey Mining plc

Chairman's statement and management report - November 2011

We are very pleased to be able to report further significant progress at the 33% owned Labrador Iron Mines (LIM) operations in the period since the last report to shareholders. Stripping and mining operations have proceeded well, the processing plant frequently exceeded its design throughput and the first shipment of iron ore left the port of Sept-Isles bound for China on 3 October 2011. The substantial group profit of £16.7 million for the period is largely due to the success of the investment in LIM. Meanwhile at Parys Mountain we plan to start a drilling and geophysical programme in the immediate future as the first step in a fresh approach to this property.

Labrador Iron

The highlights at the Schefferville properties for the period ended 30 September 2011 were:

- 723,000 tonnes of ore mined and trucked to Silver Yards during the half year including 212,000 tonnes of direct railable ore (DRO) at an average grade of 65% iron
- James mining operations operated ahead of schedule
- Silver Yards processing plant throughput exceeded 8,000 tonnes per day
- A second phase processing plant expansion was completed increasing recoveries by the production of high quality sinter fines
- A second train has increased the tonnage carried on the railway to Sept-Iles.

Details of production to date are shown in the following table:

	Quarter ended 30 September 2011		Half year ended 30 September 2011	
	Tonnes	Grade % Fe	Tonnes	Grade % Fe
Ore Mined	612,596	60.2	722,980	59.9
Including DRO	177,863	65.3	212,069	65.1
Waste Mined	1,536,368		2,262,050	
Plant Feed	310,107	57.4	328,210	57.3
Lump Ore	52,179	64.8	60,435	64.7
Sinter Fines	112,951	63.0	119,587	63.0
Total Railed	208,461	65.1	213,945	65.1

The first ship carrying 167,167 wet tonnes of direct railable ore at a grade of 64.8% Fe departed from the port of Sept-Iles on 3 October 2011 bound for China and the second shipment departed on 2 November carrying 172,743 wet tonnes of sinter fines at a grade of 64.9% Fe, also destined for China. LIM expects a third similar sized shipment to depart at the end of November, and possibly another smaller shipment to depart in December.

James Mine Operations

Mining at the James Mine commenced in June 2011 and is continuing to operate well. To the end of September, a total of 723,000 tonnes of ore had been mined and trucked to the Silver Yards area ahead of processing or transport to the port. The grade of the James ore in the upper benches of the mine continues to be generally in excess of expectations. Of the total production to the end of September, some 212,000 tonnes was DRO at an average grade of around 65% iron of which 175,000 tonnes had been railed directly to Sept-Iles without further processing.

Ore mining operations at the James Mine will continue through the remainder of 2011 at an average rate of approximately 16,000 tonnes per day and, depending upon the weather, it is expected that a total of about 1.6 million tonnes will have been mined by the end of December with about 3 million tonnes of waste mined in the same period. Ore mining operations are expected to continue during the winter months, but at a reduced rate.

Silver Yards processing

Following commissioning and start-up in June 2011 the Silver Yards processing plant gradually improved its performance and frequently achieved over 8,000 tonnes per day in September and October. The completion of a second phase expansion of the Silver Yards plant during the second quarter was designed specifically for fine material and has resulted in an improved throughput and recovery rate.

The Silver Yards plant was shut down for the season in early November as wet processing is not planned in winter conditions. Further plant modification and installation of additional equipment as part of the phase three expansion is continuing and is designed to increase Silver Yards' production capacity to about 2 million tonnes per year. It is expected that the planned plant expansion will be in place by mid-2012.

It is also estimated that, subject to weather conditions, approximately 600,000 tonnes of saleable product will be railed to Sept-Iles for calendar 2011 and will all be sold to the Iron Ore Company of Canada (IOC). In addition to these shipments, it is expected that a further 600,000 tonnes of iron ore will be held in inventory at Silver Yards and be available for treatment and shipping in 2012, including about 200,000 tonnes of DRO.

LIM 2011 exploration programme

The 2011 LIM exploration program has progressed successfully and is now winding down. Three rigs were in operation and by the end of September about 8,200 metres had been drilled on a number of deposits with the Houston deposit being the main focus. It is expected that about 11,500 metres of reverse circulation drilling will be completed before the onset of winter. Exploration support programs including 650 metres of trenching, 65 test pits and air-borne geophysics will also be completed during the current season.

LIM 2012 Outlook

Mining will continue at the James North and James South deposits in the year 2012, with a planned total ore mined of between 2.0 and 2.5 million tonnes, together with about 3.5 million tonnes of waste.

Subject to final operating plan and budget approval, it is now expected that between 1.8 and 2.0 million tonnes of ore, including material from stockpiles, will be treated in 2012 and this is expected to yield up to 1.5 million tonnes of saleable product. In addition, it is expected that about 500,000 tonnes of direct railable ore from both the 2011 stockpile and from 2012 mining operations will also be available in 2012, for a total production target of over 2.0 million tonnes of iron ore to be shipped and sold in 2012. A third train will be introduced in 2012 to enable this production of iron ore to be railed to the port of Sept-Iles.

LIM has signed a MOU with the Sept-Iles Port Authority for the use of the Pointe-aux-Basques terminal for handling and ship loading of LIM's iron ore however these arrangements for 2012 and future years remain subject to evaluation and finalization.

Iron ore produced in 2011 is being sold to IOC and delivered to Asian markets and re-sold by IOC's marketing organization on the spot market. LIM continues to review its options for marketing its iron ore production for 2012 and subsequent years and is evaluating the optimum route to achieve these sales, while still maintaining maximum flexibility and independence. LIM has not yet concluded any agreements for the sale of any iron ore beyond 2011.

Parys Mountain

Towards the end of the period a review of the Parys Mountain project commenced and a drilling programme to expand and assist this review is planned to commence in the immediate future; this will target areas close to the shaft which could form part of a small mine chiefly focussed in the White Rock area. This concept was the subject of a scoping study prepared by Micon Consultants in June 2007. The directors believe that the outlook for zinc and lead prices is positive over the next few years and that work to further develop the White Rock area as an early route to the full development of the project is justified.

Financial results

LIM's fundraising of C$121 million in April 2011 resulted in the reduction of our stake in that company from 41% to 33%, and the operation of accounting standards means that this dilution is treated for accounting purposes as a 'deemed disposal' or partial sale; because of the low LIM cost base we have recorded a profit on this non-cash transaction of £19.6 million in the period *(2010 – nil)*. After taking into account operating expenses and other items there was a net profit for the period of £16.7 million *(2010 – loss - £0.76 million)* despite a significant increase in administrative and start-up expenses attributable to LIM. The group's UK administrative expenses excluding LIM increased to £213,422 from £161,955 in the comparable period of 2010. There are no seasonal effects in these results.

The group has no revenues from the operation of its properties. At the period end the cash resources of the group were £3.4 million *(31 March 2011 - £3.7 million)* and LIM had in excess of C$37.9 million or £23.5 million *(31 March 2011 - C$7.5 million or £4.8 million)*.

Outlook

After a number of years in which the group has concentrated its efforts largely on LIM we are now expanding our review of Parys Mountain with the aim of forming a clear view on the best way to move its development forward. Whilst there is considerable financial uncertainty in the world, the price of copper which represents the major potential revenue from Parys Mountain, remains firm, and there is a continuing consensus that prices for zinc and lead, which are likely to provide revenues in the early years of the mine, is positive over the medium term.

LIM has taken a major step during the last six months as it has moved into production and is planning a major increase in the sale of iron ore products in 2012 and beyond. The price of iron ore, after a very steady summer, has become somewhat erratic as both miners and Chinese steel mills reassess their positions. The directors remain confident that LIM will perform well in 2012 and continue to provide a fundamental basis for the continuing well-being of the group.

John F Kearney
Chairman
28 November 2011

Condensed consolidated income statement

All operations are continuing	Notes	Unaudited six months ended 30 September 2011 £	Unaudited six months ended 30 September 2010 £
Revenue		-	-
Expenses		(213,422)	(161,955)
Share of loss of associate	11	(2,635,673)	(407,016)
Gains on deemed disposals in associate	11	19,607,503	17,279
Investment income		20,566	5,394
Finance costs		(56,059)	(59,860)
Foreign exchange loss		(67,700)	(149,974)
Profit/(loss) before tax		16,655,215	(756,132)
Tax	9	-	-
Profit/(loss) for the period		16,655,215	(756,132)

All attributable to equity holders of the company

	Notes		
Profit/(loss) per share	7		
Basic - pence per share		10.5 p	(0.5)p
Diluted - pence per share		9.9 p	(0.5)p

Consolidated statement of comprehensive income

Profit/(loss) for the period	16,655,215	(756,132)
Other comprehensive income:		
Exchange difference on translation of foreign holding	(595,891)	(1,213,105)
Total comprehensive (loss)/income for the period	16,059,324	(1,969,237)

All attributable to equity holders of the company

Condensed consolidated statement of financial position

	Notes	Unaudited 30 September 2011	Unaudited 30 September 2010
		£	£
Assets			
Non-current assets			
Mineral property development	10	13,943,350	13,820,570
Property, plant and equipment		204,687	204,687
Interest in associate	11	37,728,004	20,330,748
Deposit		121,406	121,540
		51,997,447	34,477,545
Current assets			
Other receivables		20,257	17,563
Cash and cash equivalents		3,360,890	2,395,421
		3,381,147	2,412,984
Total assets		55,378,594	36,890,529
Liabilities			
Current liabilities			
Trade and other payables		(772,862)	(791,780)
		(772,862)	(791,780)
Net current assets		2,608,285	1,621,204
Non-current liabilities			
Loan		(2,133,420)	(2,020,207)
Long term provision		(42,000)	(42,000)
		(2,175,420)	(2,062,207)
Total liabilities		(2,948,282)	(2,853,987)
Net assets		52,430,312	34,036,542
Equity			
Share capital		7,094,914	7,042,414
Share premium		9,627,971	8,097,973
Currency translation reserve		3,025,106	2,768,165
Retained earnings		32,682,321	16,127,990
Total shareholders' equity		52,430,312	34,036,542

All attributable to equity holders of the company

Condensed consolidated statement of cash flows

	Notes	Unaudited six months ended 30 September 2011	Unaudited six months ended 30 September 2010
		£	£
Operating activities			
Profit/(loss) for the period		16,655,215	(756,132)
Adjustments for non-cash items:			
Investment revenue		(20,566)	(5,394)
Share of loss of associate	11	2,635,673	407,016
Gain on deemed disposal in associate	11	(19,607,503)	(17,279)
Foreign exchange loss		67,700	149,974
		(213,422)	(161,955)
Movements in working capital			
Decrease/(increase) in receivables		2,212	(9,236)
(Decrease) in payables		(18,286)	(26,089)
Net cash used in operating activities		(229,496)	(197,280)
Investing activities			
Investment revenue		20,306	4,428
Mineral property development		(42,757)	(27,827)
Net cash used in investing activities		(22,451)	(23,399)
Financing activities			
Net proceeds from issue of shares		9,290	-
Loan received			-
Net cash generated from financing activities		9,290	-
Net decrease in cash and cash equivalents		(242,657)	(220,679)
Cash and cash equivalents at start of period		3,671,247	2,766,074
Foreign exchange movement		(67,700)	(149,974)
Cash and cash equivalents at end of period		3,360,890	2,395,421

Condensed consolidated statement of changes in group equity

All attributable to equity holders of the company

	Share capital £	Share premium £	Currency translation reserve £	Retained earnings £	Total £
Equity at 31 March 2011 - audited	7,092,414	9,621,181	3,620,997	15,748,173	36,082,765
Total comprehensive income for the period:					
Profit for the period	-	-	-	16,655,215	16,655,215
Exchange movement on foreign holdings	-	-	(595,891)	-	(595,891)
Total comprehensive income for the period:	-	-	(595,891)	16,655,215	16,059,324
Shares issued for cash in respect of option exercises	2,500	12,812	-	-	15,312
Share issue costs	-	(6,022)	-	-	(6,022)
Equity-settled benefits credit: - associate	-	-	-	278,933	278,933
Equity at 30 September 2011 - unaudited	7,094,914	9,627,971	3,025,106	32,682,321	52,430,312
Comparative period					
Equity at 1 April 2010 - audited	7,042,414	8,097,973	3,981,270	16,818,846	35,940,503
Total comprehensive income for the period:					
(Loss) for the period	-	-	-	(756,132)	(756,132)
Exchange movement on foreign holdings	-	-	(1,213,105)	-	(1,213,105)
Total comprehensive income for the period:	-	-	(1,213,105)	(756,132)	(1,969,237)
Equity-settled benefits credit: - associate	-	-	-	65,276	65,276
Equity at 30 September 2010 - unaudited	7,042,414	8,097,973	2,768,165	16,127,990	34,036,542

Notes to the accounts

1. Basis of preparation

This half-yearly financial report comprises the condensed consolidated financial statements of the group for the six months ended 30 September 2011. It has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Services Authority; the requirements of IAS 34 - Interim financial reporting (as adopted by the European Union) and using the going concern basis (and the directors are not aware of any events or circumstances which would make this inappropriate). It was approved by the board of directors on 28 November 2011. It does not constitute financial statements within the meaning of section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for annual financial statements. It should be read in conjunction with the annual report and financial statements for the year ended 31 March 2011 which is available on request from the company or may be viewed at www.angleseymining.co.uk.

The financial information contained in this report in respect of the year ended 31 March 2011 has been extracted from the report and financial statements for that year which have been filed with the Registrar of Companies. The report of the auditors on those accounts did not contain a statement under section 498(2) or (3) of the Companies Act 2006 and was not qualified. It included a reference in respect of the valuation of the Parys Mountain property to which the auditors drew attention by way of emphasis of matter. The half-yearly results for the current and comparative periods are unaudited.

2. Significant accounting policies

The accounting policies applied in these condensed consolidated financial statements are consistent with those set out in the annual report and financial statements for the year ended 31 March 2011. The following amendments to accounting standards and new interpretations were effective in the current period: IAS 24 'Related Party Disclosure' (amendment) - Revised definition of related parties and disclosure exemptions for government-controlled entities; IFRIC 14 (amendment) – Prepayments of a minimum funding requirement; Improvements to IFRS (May 2010); and IFRIC 19 'Extinguishing financial liabilities with equity instruments'.

The adoption of these amendments and new interpretations has not resulted in a change to the accounting policies nor had a material effect on the financial performance and position of the group. In preparing these financial statements any accounting assumptions and estimates made by management were consistent with those applied to the aforesaid annual report and financial statements.

3. Risks and uncertainties

The principal risks and uncertainties set out in the group's annual report and financial statements for the year ended 31 March 2011 remain the same for this half-yearly financial report and can be summarised as: development risks in respect of mineral properties, especially in respect of the granting of permissions and variations in metal prices; liquidity risks during development; and foreign exchange risks. More information on these principal risks is to be found in the 2011 annual report which may viewed at www.anglesey mining.co.uk.

4. Statement of directors' responsibilities

The directors confirm to the best of their knowledge that: (a) the condensed consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union; and (b) the interim management report includes a fair review of the information required by the FSA's Disclosure and Transparency Rules (4.2.7 R and 4.2.8 R). This report and financial statements were approved by the board on 28 November 2011 and authorised for issue on behalf of the board by Bill Hooley, Chief Executive Officer and Ian Cuthbertson, Finance Director.

5. Activities

The group is engaged in mineral property development and has no turnover. There are no minority interests or exceptional items.

6. Equity settled employee benefits

IFRS 2 "Share-based Payment" requires the recognition of equity settled share-based payments at fair value at the date of grant. The fair value of any options expensed in these statements, where applicable, is determined by a Black-Scholes option pricing model using a volatility factor of 71% and an option life of 3 years as the significant assumptions.

7. Earnings per share

Earnings per share are computed by dividing the profit attributable to ordinary shareholders of £16,655,215 *(2010 loss £756,132),* by 158,401,220 *(2010 – 153,158,051)* - the weighted average number of ordinary shares in issue during the period or by 167,973,969 *(2010 - 153,058,051)* the weighted average number of dilutive shares which includes those potentially issuable in respect of share options. Where there are losses the effect of outstanding share options is anti-dilutive.

8. Operating segments

There are no revenues. The cost of all activities charged in the income statement relates to exploration and development of mining properties which is the group's principal activity . The group's assets and liabilities and income statement are analysed as follows by geographical location, which is the basis of internal management reporting.

	Unaudited six months ended 30 September 2011			Unaudited six months ended 30 September 2010		
	UK	**Canada - associate**	**Total**	**UK**	**Canada - associate**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Expenses	213,422	-	213,422	161,955	-	161,955
Share of loss in associate	-	2,635,673	2,635,673	-	407,016	407,016
Gain on deemed disposals	-	(19,607,503)	(19,607,503)	-	(17,279)	(17,279)
Investment income	(20,566)	-	(20,566)	(5,394)	-	(5,394)
Finance costs	56,059	-	56,059	59,860	-	59,860
Exchange rate loss	67,700	-	67,700	149,974	-	149,974
(Profit)/loss for the year	316,615	(16,971,830)	(16,655,215)	366,395	389,737	756,132

	Unaudited 30 September 2011			Audited 31 March 2011		
	UK	**Canada - associate**	**Total**	**UK**	**Canada - associate**	**Total**
	£	**£**	**£**	**£**	**£**	**£**
Assets	17,650,590	37,728,004	55,378,594	17,920,142	21,073,132	38,993,274
Liabilities	(2,948,282)	-	(2,948,282)	(2,910,509)	-	(2,910,509)
Net assets	14,702,308	37,728,004	52,430,312	15,009,633	21,073,132	36,082,765

9. Deferred tax

There is an unrecognised deferred tax asset of £1.5 million *(31 March 2011 - £1.5m)* which, in view of the group's trading results, is not considered to be recoverable in the short term. There are also capital allowances, including mineral extraction allowances, exceeding £11 million *(unchanged from 31 March 2011)* unclaimed and available. Because the recoverability of any taxation relative to these amounts from future operations is uncertain, no deferred tax asset is reflected in the condensed financial statements.

10. Development expenditure

Mineral development expenditure incurred by the group is carried in the condensed consolidated financial statements at cost, less an impairment provision if appropriate. The recovery of this expenditure is dependent upon the successful development and operation of the Parys Mountain project which is itself conditional on finance being available to fund such development. During the period expenditure of £42,757 was incurred *(six months to 30 September 2010 - £27,827).* There have been no indicators of impairment during the period.

11. Interest in associate

At 30 September 2011 the group had a 32.9% *(31 March 2011 - 40.0%)* interest in Labrador Iron Mines Holdings Limited (LIM), a company registered in Ontario, Canada, which is independently managed and is accounted for in these financial statements as an associate company. LIM is the 100% owner and operator of a series of iron ore properties in Labrador and Quebec, some of which were formerly held and initially explored by the group. The change in the group's percentage holding over the period results from the issue of shares by LIM in respect of a fund raising in April 2011 and the exercise of options and warrants. The fully diluted interest of the group in LIM was 31.6% *(2010 - 39%)*. At 21 November 2011 the published fair value of the group's investment in LIM was £62 million based on a share price of C$5.62 per LIM common share at that date. At 30 September 2011 the share price was C$5.79 .

The changes in the group's interest in LIM are:

	Unaudited 30 September 2011 £	Unaudited 30 September 2010 £	Audited 31 March 2011 £
Values in group financial statements:			
Value brought forward from previous period	21,073,132	21,868,314	21,868,314
Group's share of (losses), adjusted to eliminate any fair value uplift and related taxation in associate's accounts	(2,635,673)	(407,016)	(1,104,453)
Group's share of equity-settled benefits included in (losses) above and now added back	278,933	65,276	374,984
Profit on deemed disposals following LIM share issues	19,607,503	17,279	294,560
Exchange rate movement	(595,891)	(1,213,105)	(360,273)
Amount carried in the group accounts - being the value of group's share of net assets of the associate without any fair value adjustment in respect of mineral properties	37,728,004	20,330,748	21,073,132

12. Events after the reporting period

None.

13. Related party transactions

None.

Anglesey Mining plc

Directors	**John Kearney**	**Chairman**
	Bill Hooley	**Chief executive**
	Ian Cuthbertson	**Finance director**
	David Lean	**Non executive**
	Howard Miller	**Non executive**
	Roger Turner	**Non executive**
	Danesh Varma	**Non executive**

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