

Anglesey Mining plc

Half yearly report 2012

Anglesey Mining plc

Chairman's Statement and Management Report - November 2012

The half year to the end of September 2012 has been one of mixed fortunes for the company. Labrador Iron Mines (LIM) reported good operating results and a strong increase in iron ore production but has been impacted by a very significant fall in the price of iron ore during August and early September that severely restricted revenue for that period and resulted in a significant accounting loss for the September quarter.

At Parys Mountain we have continued to make progress with the completion of the 2012 drilling programme. The new resource estimate is almost ready to be released and the scoping study is making good progress. Largely as a result of the loss reported by LIM for its September quarter the group has recorded a loss of £7.4 million for the half year. Subsequent to the end of the reporting period LIM raised \$C30 million through a share issue. Anglesey subscribed \$C1.5 million (£0.9m) to this issue and now holds 19.7% of LIM.

Labrador Iron

The highlights at the Schefferville properties for the six month period to 30th September 2012 were:

- LIM demonstrated its operational ability to produce, rail and sell up to 250,000 tonnes of iron ore product per month from its James mine since the April start of the 2012 operating season.
- LIM mined 1.6 million tonnes of ore at 61.5% iron.
- LIM railed 1.2 million tonnes of ore to the Port of Sept-Îles. In October, LIM reached a major milestone, having railed over two million tonnes to the Port of Sept-Îles since commencing mining operations in June 2011.
- LIM sold 1.1 million dry tonnes in seven shipments of iron ore.
- LIM responded quickly to challenging market conditions and the sharp decline in iron ore spot prices in August 2012, focusing on cost reduction and cash conservation measures.
- LIM enhanced long-term rail and port access securing 5 million tonnes of ship loading capacity at the new multi-user dock at the Port of Sept-Îles and participating with CN Rail in a feasibility study for the potential development of a new multi-user rail line and terminal handling facility.
- LIM completed most of the work of a successful 2012 exploration season with approximately 13,500 metres of diamond and RC drilling forecast to be completed by the end of November.

Responding to challenging market conditions

Iron ore spot prices and transaction volumes suffered a sharp decline in August 2012, with spot prices dropping 33% to below US\$90 per tonne on a 62% Fe CFR China basis in early September before recovering to over US\$120 per tonne by late October. LIM undertook a critical review of its operating and capital spending for the balance of 2012 and implemented the following immediate and decisive measures:

- Focus on cost reduction and management of cash resources;
- Utilization of the new dry classifying system to produce sinter and lump ore only;
- All non-committed capital expenditures, mainly relating to the Silver Yards wet processing plant and the Houston deposits, were deferred to 2013;
- The 2012 exploration programme was reduced to \$5.3 million.

James Mine and Silver Yards

The James Mine re-commenced full-scale operations in April 2012 and consistently achieved its planned mining rate of 28,000 tonnes per day of ore and waste in the months of June through August until the cutbacks in September as part of the cost reduction programme. Complementing the ramp up in production, monthly railway volumes increased almost threefold from the beginning of the season with up to four train sets in operation.

The ore in the James deposits continues to be soft high grade and lends itself to simple processing. The higher grade ore encountered in the upper benches continues as the mine gets deeper and accesses the lower levels. To enhance productivity and reduce costs, beginning in late August and continuing for the remainder of 2012, a dry classifying system was utilised to produce lump and sinter products. The Silver Yards wet processing plant was winterized at the end of August and not used for the remainder of 2012.

Construction of the Phase 3 expansion of the wet processing plant, designed to increase plant throughput to 12,000 tonnes per day and to improve mass yield to above 75%, was substantially complete at the end of August. With the suspension of capital expenditure programmes relating to the Silver Yards processing plant, completion and commissioning of the Phase 3 plant expansion, originally anticipated to take place in August 2012, is now planned for the 2013 operating season.

Production for the Quarter and Six Months ended 30 September 2012				
(all tonnes are dry metric tonnes)	Quarter ended 30 September 2012		Six Months ended 30 September 2012	
	Tonnes	Grade % Fe	Tonnes	Grade % Fe
Total Ore Mined	961,737	60.8	1,629,930	61.5
Direct Rail Ore portion	569,789	62.4	1,053,233	62.5
Waste Mined	1,533,211	-	2,902,609	-
Ore Processed	643,715	58.2	771,178	57.8
Lump Ore Produced	62,884	60.5	80,612	60.4
Sinter Fines Produced	508,773	61.1	543,484	61.4
Total Product Railed	706,495	62.2	1,238,824	62.4
Tonnes Product Sold	647,643	62.3	1,134,149	62.7
Port Product ending inventory	282,344	62.1	282,344	62.1
Site Product ending inventory	89,917	60.2	89,917	60.2
ROM Ore ending inventory	432,143	56.2	432,143	56.2

Exploration

As of the end of September 2012, approximately 9,400 metres of RC and core diamond drilling had been completed in the 2012 exploration programme. The 2012 budget was reduced to \$5.3 million from the \$8.6 million originally budgeted but the programme is still expected to achieve approximately 13,500 metres of drilling as a result of cost efficiencies and improved productivity.

The drill programmes have focused on Houston, Malcolm, James North, the James South extension and historic stockpiles near Silver Yards. The main purpose of this drilling is to generate further technical information for more detailed mine planning of these deposits. In addition to this drilling, a bulk sampling programme of some of the historic stockpiles has been initiated together with a further 1,500 metre diamond drilling programme on the Elizabeth Lake taconite target to evaluate this type of iron-bearing formation.

LIM outlook

Mining, processing and rail operations for the 2012 season are complete. The shipping season should shortly be concluded with a tenth shipment for total sales of 1.6 million dry tonnes, a significant increase from the 386,000 dry tonnes sold in 2011.

LIM took decisive action in September 2012 in response to dropping iron ore prices and believes that cost reductions in its operations combined with a scale-back in production, the deferral of capital expenditures and the completion of a C\$30 million equity financing will ensure a sustainable position to resume operations in April 2013. Subject to market conditions LIM is targeting production of 2 million tonnes of iron ore in 2013.

Parys Mountain

The 2012 drilling programme at Parys Mountain which was commenced in January has been completed with 12 holes totalling in excess of 2,000 metres having been drilled. The results from all these holes have now been received and have added significantly to the data base and more importantly to the better understanding of the geology and the potential location of mineralisation. The last set of holes drilled about 1,200 metres to the east of the Morris Shaft have demonstrated the lateral extent of mineralisation. During the period the Intermine future royalty was bought out in its entirety for 2,000,000 shares and \$C1 million (£0.63m).

Micon has completed a revised ore resource estimate for the entire site and this will be published shortly. Based on this new resource Micon is close to completing a scoping study for the development of the White Rock and Engine zones initially utilising decline access from a location close to the planned processing plant. On receipt of this study the directors will review all the options available to progress development of Parys Mountain as a mining operation.

Financial results

There was a net loss for the period of £7.4 million (2011 - profit - £16.7m) most of which was in respect of the holding in LIM, the group's associate. The group has no revenues from the operation of its properties. At the period end the cash resources of the group were £1.9 million (31 March 2012 - £3.2 million) and at 21 November 2012 they were £0.8 million.

Outlook

The medium term outlook for the group remains dependent upon commodity prices. The iron ore price fell heavily in August and September but has recovered somewhat since. It needs to remain close to current levels for LIM to be able to look forward to a positive restart of production activities in April 2013. LIM is heavily geared to the price of iron ore and any reasonable move upwards beyond the current price will have a very positive effect on LIM's profitability.

Base metal prices, particularly for copper, have been fairly robust recently and show no serious signs of retreating. Zinc, which would be the primary source of revenue from the initial White Rock production at Parys, is forecast to be in short supply as concentrate within the European market in the coming two to three years. Should this position develop then it will be opportune for the early development of Parys Mountain.

John F Kearney
Chairman
23 November 2012

Anglesey Mining plc - Group

Condensed consolidated income statement

	Notes	Unaudited six months ended 30 September 2012	Unaudited six months ended 30 September 2011
		£	£
All operations are continuing			
Revenue		-	-
Expenses		(201,885)	(213,422)
Share of loss of associate	11	(7,039,697)	(2,635,673)
(Losses)/gains on deemed disposals in associate	11	(133,913)	19,607,503
Investment income		27,075	20,566
Finance costs		(57,456)	(56,059)
Foreign exchange profit/(loss)		8,887	(67,700)
(Loss)/profit before tax		(7,396,989)	16,655,215
Tax	9	-	-
(Loss)/profit for the period		(7,396,989)	16,655,215
(Loss)/profit per share	7		
Basic - pence per share		(4.6)p	10.5 p
Diluted - pence per share		(4.6)p	9.9 p

Condensed consolidated statement of comprehensive income

(Loss)/profit for the period	(7,396,989)	16,655,215
Other comprehensive income:		
Exchange difference on translation of foreign holding	42,465	(595,891)
Total comprehensive (loss)/income for the period	(7,354,524)	16,059,324

All attributable to equity holders of the company

Condensed consolidated statement of financial position

	Notes	Unaudited 30 September 2012 £	Audited 31 March 2012 £
Assets			
Non-current assets			
Mineral property development	10	14,626,441	14,255,818
Property, plant and equipment		204,687	204,687
Interest in associate	11	34,394,705	41,240,859
Deposit		121,935	121,685
		<u>49,347,768</u>	<u>55,823,049</u>
Current assets			
Other receivables		62,771	64,991
Cash and cash equivalents		1,890,637	3,150,644
		<u>1,953,408</u>	<u>3,215,635</u>
Total assets		51,301,176	59,038,684
Liabilities			
Current liabilities			
Trade and other payables		(80,812)	(1,040,961)
		<u>(80,812)</u>	<u>(1,040,961)</u>
Net current assets		1,872,596	2,174,674
Non-current liabilities			
Loan		(2,248,716)	(2,191,260)
Long term provision		(42,000)	(42,000)
		<u>(2,290,716)</u>	<u>(2,233,260)</u>
Total liabilities		(2,371,528)	(3,274,221)
Net assets		48,929,648	55,764,463
Equity			
Share capital	12	7,116,914	7,096,914
Share premium		9,848,949	9,634,231
Currency translation reserve		3,283,635	3,241,170
Retained earnings		28,680,150	35,792,148
Total shareholders' equity		48,929,648	55,764,463

All attributable to equity holders of the company

Condensed consolidated statement of cash flows

	Notes	Unaudited six months ended 30 September 2012 £	Unaudited six months ended 30 September 2011 £
Operating activities			
(Loss)/profit for the period		(7,396,989)	16,655,215
Adjustments for non-cash items:			
Investment revenue		(27,075)	(20,566)
Finance costs		57,456	56,059
Share of loss of associate	11	7,039,697	2,635,673
Loss/(gain) on deemed disposal in associate	11	133,913	(19,607,503)
Foreign exchange movement		(8,887)	67,700
		(201,885)	(213,422)
Movements in working capital			
Decrease in receivables		2,221	2,212
Decrease in payables		(50,682)	(18,286)
Net cash used in operating activities		(250,346)	(229,496)
Investing activities			
Investment revenue		26,825	20,306
Mineral property development		(1,280,091)	(42,757)
Net cash used in investing activities		(1,253,266)	(22,451)
Financing activities			
Net proceeds from issue of shares		234,718	9,290
Net cash generated from financing activities		234,718	9,290
Net decrease in cash and cash equivalents		(1,268,894)	(242,657)
Cash and cash equivalents at start of period		3,150,644	3,671,247
Foreign exchange movement		8,887	(67,700)
Cash and cash equivalents at end of period		1,890,637	3,360,890

Condensed consolidated statement of changes in group equity

	Share capital £	Share premium £	Currency translation reserve £	Retained earnings £	Total £
Equity at 1 April 2012 - audited	7,096,914	9,634,231	3,241,170	35,792,148	55,764,463
Total comprehensive income for the period:					
Loss for the period	-	-	-	(7,396,989)	(7,396,989)
Exchange difference on translation of foreign holdings	-	-	42,465	-	42,465
Total comprehensive income for the period:	-	-	42,465	(7,396,989)	(7,354,524)
Shares issued to discharge a liability	20,000	220,000	-	-	240,000
Share issue costs	-	(5,282)	-	-	(5,282)
Equity-settled benefits credit: - associate	-	-	-	284,991	284,991
Equity at 30 September 2012 - unaudited	7,116,914	9,848,949	3,283,635	28,680,150	48,929,648
Comparative period					
Equity at 1 April 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 difference on translation of 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

All attributable to equity holders of the company

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 2012. 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 23 November 2012. 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 2012 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 2012 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. 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 2012. The following amendments to interpretations were effective in the current period and have been adopted:

IFRS 7 Financial Instruments: Amendments enhancing disclosure about transfers of financial assets; Issued – October 2010; Effective – Annual period beginning on or after 1 July 2011

IAS 12 Income Taxes: Limited scope amendments (recovery of underlying assets); Issued – December 2010; Effective – Annual periods beginning on or after 1 January 2012

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 2012 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 permitting and metal prices; liquidity risks during development; and foreign exchange risks. More information is to be found in the 2012 annual report – see note 1.

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 23 November 2012 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 currently has no turnover. There are no minority interests or exceptional items.

6. Results for the period

The interim results may be subject to seasonal effects in the Labrador operations.

7. Earnings per share

The loss per share is computed by dividing the loss attributable to ordinary shareholders of £7.4 million (2011 profit £16.7m), by 159,328,270 (2011 - 158,401,220) - the weighted average number of ordinary shares in issue during the period. Where there are losses the effect of outstanding share options is not dilutive.

8. Business and geographical segments

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

	Unaudited six months ended 30 September 2012			Unaudited six months ended 30 September 2011		
	UK £	Canada - associate £	Total £	UK £	Canada - associate £	Total £
Expenses	(201,885)	-	(201,885)	(213,422)	-	(213,422)
Share of loss in associate	-	(7,039,697)	(7,039,697)	-	(2,635,673)	(2,635,673)
(Loss)/gain on deemed disposals	-	(133,913)	(133,913)	-	19,607,503	19,607,503
Investment income	27,075	-	27,075	20,566	-	20,566
Finance costs	(57,456)	-	(57,456)	(56,059)	-	(56,059)
Exchange rate movements	8,887	-	8,887	(67,700)	-	(67,700)
Loss/profit for the period	(223,379)	(7,173,610)	(7,396,989)	(316,615)	16,971,830	16,655,215

	Unaudited 30 September 2012			Audited 31 March 2012		
	UK £	Canada - associate £	Total £	UK £	Canada - associate £	Total £
Assets	16,906,471	34,394,705	51,301,176	17,797,825	41,240,859	59,038,684
Liabilities	(2,371,528)	-	(2,371,528)	(3,274,221)	-	(3,274,221)
Net assets	14,534,943	34,394,705	48,929,648	14,523,604	41,240,859	55,764,463

9. Deferred tax

There is an unrecognised deferred tax asset of £1.2 million (31 March 2012 - £1.2m) 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 2012) unclaimed and available. No deferred tax asset is recognised in the condensed financial statements.

10. Mineral property development

Mineral development costs incurred by the group are carried in the condensed consolidated financial statements at cost, less an impairment provision if appropriate. The recovery of mineral development costs 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 £370,623 was incurred (six months to 30 September 2011 - £42,757), a significant increase due to drilling and other activities in 2012 and the cost of buying out Intermine Limited's royalty. Intermine was paid C\$1 million in cash (£630,000) and issued with 2,000,000 ordinary shares with a market value of 12 pence each in the company to discharge all amounts due and to cancel entirely its net profits royalty agreement. There have been no indicators of impairment during the period.

11. Interest in associate

At 30 September 2012 the group had a 26% (31 March 2012 - 26%) 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 fully diluted interest of the group in LIM was 25% (31 March 2012 - 25%). At 21 November 2012 the published fair value of the group's investment in LIM was £9.1 million based on a share price of C\$0.75 per LIM common share at that date. The changes in the group's interest in LIM are:

	Unaudited 30 September 2012	Audited 31 March 2012
Values in group financial statements:	£	£
Value brought forward from previous period	41,240,859	21,073,132
Group's share of losses of associate	(7,039,697)	(3,484,140)
Group's share of equity-settled benefits included in losses above and now added back	284,991	657,420
(Loss)/profit on deemed disposals following LIM share issues	(133,913)	23,374,274
Exchange rate movement	42,465	(379,827)
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	34,394,705	41,240,859

12. Share capital

Issued and fully paid	Ordinary shares of 1p		Deferred shares of 4p		Total Nominal value £
	Nominal value £	Number	Nominal value £	Number	
At 31 March 2011	1,581,581	158,158,051	5,510,833	137,770,835	7,092,414
Issued 5 April 2011	2,500	250,000	-	-	2,500
Issued 22 March 2012	2,000	200,000	-	-	2,000
At 31 March 2012	1,586,081	158,608,051	5,510,833	137,770,835	7,096,914
Issued 11 July 2012	20,000	2,000,000	-	-	20,000
At 30 September 2012	1,606,081	160,608,051	5,510,833	137,770,835	7,116,914

On 11 July 2012, 2,000,000 shares were issued to Intermine Limited – see note 10.

13. Events after the reporting period

In November 2012 LIM issued 30 million shares in respect of a fund raising. The group contributed C\$1.5 million to this financing resulting in an increase in its holding of LIM shares from 17,789,100 to 19,289,100. Following this issue the group's holding is 19.7%.

14. Related party transactions

None.

Front cover:

Parys Mountain headframe

LIM's James pit in September 2012

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

Corporate office telephone: 01248 361333

Parys Mountain site: Parys Mountain, Amlwch, Anglesey, LL68 9RE
Phone 01407 831275

London office: Painter's Hall Chambers, 8 Little Trinity Lane, London, EC4V 2AN
Phone 020 7653 9881

Labrador Iron Mines TSX:LIM
www.labradorironmines.ca
Phone +1 647 728 4125

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

Share registrars: Capita Registrars www.capitaregistrars.com
Phone 0871 664 0300 - for all change of address and shareholder
administration matters (calls cost 10p per minute plus network extras,
lines open 0830 to 1730 Mon-Fri)

Web site: www.angleseymining.co.uk
E-mail: mail@angleseymining.co.uk
Shares listed on the London Stock Exchange - LSE:AYM

Company registration number 1849957