Anglesey Mining plc

Half yearly report for the six months to 30 September 2018

Chairman's Statement and Management Report

In our most recent Annual Report to shareholders, issued in July, I commented that metal prices had softened somewhat during 2018 but that there was a strong expectation of a continued positive outlook for base metals, particularly for zinc and copper. Despite the current geopolitical uncertainty caused by fears of trade wars and tariffs, that general prognosis still holds and we continue to maintain a positive outlook for all these metals.

The recently announced Project Development and Cooperation Agreement entered into with QME Mining Technical Services, a division of QME Ltd, ("QME") is a very important and positive step forward in the advancement of the Parys Mountain copper, zinc, lead, gold and silver project, located on the island of Anglesey in North Wales. (See Anglesey Mining plc News release 26 November 2018).

QME is experienced in underground mine development and has developed and recruited the necessary skills in mine planning to deliver local and relevant mining expertise to assist Anglesey to progress the Parys Mountain project at no direct cash cost to Anglesey or dilution of its shareholders.

Under the Agreement, QME will, at its own cost, carry out an agreed programme of design, engineering and optimisation studies relating to the future development of Parys Mountain. This will enable Anglesey to complete this work without additional cash commitment.

Anglesey has granted QME various rights relating to the future development of Parys Mountain. On completion of the optimisation study Anglesey will award QME, on an exclusive basis, contracts for the development of the decline and underground mine development, including rehabilitation of the shaft, and in addition, will grant QME the right and option, upon completion of a Prefeasibility Study, to undertake at QME's cost and investment, the underground development component of Parys Mountain, with a scope to be agreed, to the point of commencement of production, in consideration of which QME would earn a 30% undivided joint venture interest in the Parys Mountain project. If exercised, this would represent a significant portion of the capital cost of the project and could be considered to be a major equity contribution in any future financing package.

Parys Mountain - Path towards Production

We have continued to review the results of the 2017 Scoping Study on Parys Mountain with the objective of enhancing the economics of the project to attract the capital financing necessary to achieve our target of getting the Parys Mountain Mine into production at the earliest date possible. The 2017 Scoping Study by Micon International Limited and Fairport Engineering Limited recommended further work as interim steps towards undertaking a Feasibility Study, including more detailed mine planning and design, more engineering studies, additional metallurgical test work and a review of tailings management and environmental and planning permissions, all of which require new and further financing.

The Project Development and Co-operation Agreement with QME Mining Technical Services will see the completion of a substantial part of the recommended further work on mine planning and design and project optimisation. The 2017 Scoping Study was based on mining only the 2.1 million tonnes of indicated resources reported by Micon in 2012. Micon had reported a further 4.1 million tonnes of inferred resources which were not incorporated into the Scoping Study. Development of even half of these inferred resources would significantly increase the projected life of the Parys Mountain mine with potential positive outcomes on the project economics.

The Development Agreement with QME will examine a revised mine model with the objective of incorporating some of the inferred resources, including part of the higher-grade Engine Zone inferred resources, into the earlier years of the mine plan with the intention of increasing the life of the mine to at least 10 years.

The 2017 Scoping Study was based on the initial development and production from the White Rock zone using a newly developed decline eventually leading to development of the deeper Engine zone and then the rehabilitation and use of the Morris Shaft as a hoisting facility. The QME programme will examine whether different approaches to accessing the orebodies, particularly by the early dewatering, rehabilitation and recommissioning of the Morris Shaft, could speed up access to the higher-grade Engine zone resources. This should have a beneficial effect upon both the net present value of the operation and the pay-back period.

It is expected that these optimisation studies will be completed by the middle of 2019 and, subject to financing being available, would then form the basis for commissioning of a Preliminary Feasibility Study to lead to an overall project financing package. In the meantime, we will continue to maintain our mineral interests in good standing. We have confirmed that our current planning consents remain in good order and we will make the appropriate preparations for those further environmental baseline studies that will be required as part of the expected Preliminary Feasibility Study. We will also continue to discuss concentrate and metal sales with brokers, traders and smelters as part of both the longer-term financing plan and as inputs to the future studies.

Iron Ore

Iron ore prices have continued to grow steadily if not spectacularly during 2018 and currently 62%Fe ore is trading at just under $75 per tonne. The premiums for higher grade ore have weakened slightly but still provide an exceptional differential over the 62% Fe basis. This slow but steady growth period represents some consolidation after fairly erratic trading during the last five years and could herald the beginning of a more mature and financeable market.

Grangesberg

Anglesey continues to manage the Grangesberg iron ore project in Central Sweden though these activities have been kept at a minimum level while product prices have remained low. However, the greater maturity of the market coupled with some increase in price, the continuing premiums expected for premium product, and importantly the announcement by LKAB that its flagship Kiruna project in northern Sweden will have a shorter life than originally planned, makes the interest in developing the Grangesberg project albeit at significant capital cost much more likely. We continue to support Grangesberg and recognise that it is likely that further external partnerships will be required to raise the capital required for full development.

Labrador

The group continues to hold a 12% interest in Labrador Iron Mines Limited which owns extensive iron ore resources and facilities in the Schefferville area of Labrador and Quebec in Canada. These resources are kept on a stand-by care and maintenance basis and subject to financing are positioned to resume operations as soon as economic conditions warrant.

Operations

As always, we have kept our corporate and operating costs at the lowest level consistent with maintaining our assets in good order. We will maintain this policy going forward but costs will increase once a feasibility study is commissioned on Parys Mountain and as activity is resumed on our iron ore properties.

Financial results

The group had no revenue for the period. The loss for the six months to 30 September 2018 was £137,117 (2017 - £167,186) and the expenditures on the mineral property in the period were £25,755 compared to £65,943 in the comparative period when there were additional expenses in respect of consultants' fees. Net current assets at 30 September 2018 were £7,874 compared to £91,033 at 31 March 2018. Further funding will be required for continuing expenses as well as the maintenance and development of the group's mineral properties. A substantial amount of work on mine planning and project optimisation at Parys Mountain will be completed at no cost to Anglesey under the Project Development Co-operation Agreement with QME Technical Services.

Outlook

We remain confident that demand for metals will remain strong and the outlook for commodity prices will remain positive for the foreseeable future. There will be occasional pressures on price by external geopolitical forces but the underlying growth of the emerging industrialised nations particularly China will support demand growth in the longer term.

On that basis we look to move Parys Mountain forward in a planned and sequential manner, firstly through optimisation studies to determine the best development plan and then advancing through feasibility for raising the necessary finance. We will also continue to review the commercial and development opportunities for our iron ore projects and look for other new opportunities as they present themselves.

I would like to thank the current directors for their continuing diligence and support in moving the Parys Mountain mine project forward and again thank shareholders for their continued confidence and patience.

John F Kearney

Chairman

29 November 2018

Unaudited condensed consolidated income statement

All operations are continuing	Notes	Unaudited six months ended 30 September 2018 £	Unaudited six months ended 30 September 2017 £
Revenue		-	-
Expenses		(57,477)	(78,100)
Equity-settled employee benefits		-	(9,324)
Investment income		52	56
Finance costs		(79,719)	(79,954)
Foreign exchange movement		27	136
Loss before tax		(137,117)	(167,186)
Taxation	8	-	-
Loss for the period	7	(137,117)	(167,186)
Loss per share			
Basic - pence per share		(0.1)p	(0.1)p
Diluted - pence per share		(0.1)p	(0.1)p

Unaudited condensed consolidated statement of comprehensive income

Loss for the period	(137,117)	(167,186)
Other comprehensive income		
Items that may subsequently be reclassified to profit or loss:		
Exchange difference on translation of foreign holding	(21,265)	21,155
Total comprehensive loss for the period	(158,382)	(146,031)

All attributable to equity holders of the company

Unaudited condensed consolidated statement of financial position

	Notes	Unaudited 30 September 2018 £	Audited 31 March 2018 £
Assets			
Non-current assets			
Mineral property exploration and evaluation	9	15,136,896	15,111,141
Property, plant and equipment		204,687	204,687
Investments	10	86,660	86,660
Deposit		123,279	123,227
		15,551,522	15,525,715
Current assets			
Other receivables		18,014	19,790
Cash and cash equivalents		57,537	137,113
		75,551	156,903
Total assets		15,627,073	15,682,618
Liabilities			
Current liabilities			
Trade and other payables		(67,677)	(65,870)
		(67,677)	(65,870)
Net current assets		7,874	91,033
Non-current liabilities			
Loans		(3,644,266)	(3,543,236)
Long term provision		(50,000)	(50,000)
		(3,694,266)	(3,593,236)
Total liabilities		(3,761,943)	(3,659,106)
Net assets		11,865,130	12,023,512
Equity			
Share capital	11	7,286,914	7,286,914
Share premium		10,171,986	10,171,986
Currency translation reserve		(63,286)	(42,021)
Retained losses		(5,530,484)	(5,393,367)
Total shareholders' funds		11,865,130	12,023,512

All attributable to equity holders of the company

Unaudited condensed consolidated statement of cash flows

	Notes	Unaudited six months ended 30 September 2018 £	Unaudited six months ended 30 September 2017 £
Operating activities			
Loss for the period		(137,117)	(167,186)
Adjustments for:			
Investment income		(52)	(56)
Finance costs		79,719	79,954
Equity-settled employee benefits		-	9,324
Foreign exchange movement		(27)	(136)
		(57,477)	(78,100)
Movements in working capital			
Decrease/(increase) in receivables		1,812	(10,636)
Increase/(decrease) in payables		694	(25,693)
Net cash used in operating activities		(54,971)	(114,429)
Investing activities			
Investment income		-	6
Mineral property exploration and evaluation		(24,632)	(51,918)
Net cash used in investing activities		(24,632)	(51,912)
Financing activities			
Loans		-	-
Net cash generated from financing activities		-	-
Net (decrease) in cash and cash equivalents		(79,603)	(166,341)
Cash and cash equivalents at start of period		137,113	392,293
Foreign exchange movement		27	136
Cash and cash equivalents at end of period		57,537	226,088

All attributable to equity holders of the company

Unaudited condensed consolidated statement of changes in group equity

	Share capital £	Share premium £	Currency translation reserve £	Retained losses £	Total £
Equity at 1 April 2018 - audited	7,286,914	10,171,986	(42,021)	(5,393,367)	12,023,512
Total comprehensive income for the period:					
Exchange difference on translation of foreign holding	-	-	(21,265)	-	(21,265)
Loss for the period	-	-	-	(137,117)	(137,117)
Total comprehensive income for the period	-	-	(21,265)	(137,117)	(158,382)
Equity-settled employee benefits	-	-	-	-	-
Equity at 30 September 2018 - unaudited	7,286,914	10,171,986	(63,286)	(5,530,484)	11,865,130
Comparative period					
Equity at 1 April 2017 - audited	7,286,914	10,171,986	(73,510)	(5,124,502)	12,260,888
Total comprehensive income for the period:					
Exchange difference on translation of foreign holding	-	-	21,155	-	21,155
Loss for the period	-	-	-	(167,186)	(167,186)
Total comprehensive income for the period	-	-	21,155	(167,186)	(146,031)
Equity-settled employee benefits	-	-	-	9,324	9,324
Equity at 30 September 2017 - unaudited	7,286,914	10,171,986	(52,355)	(5,282,364)	12,124,181

All attributable to equity holders of the company

Notes to the accounts

1. Basis of preparation

This half-yearly financial report comprises the unaudited condensed consolidated financial statements of the group for the six months ended 30 September 2018. It has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 29 November 2018. 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 2018 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 2018 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 have not been audited or reviewed.

2. Significant accounting policies

The accounting policies applied in these unaudited condensed consolidated financial statements are consistent with those set out in the annual report and financial statements for the year ended 31 March 2018.

Accounting policies

The accounting policies applied in these unaudited condensed consolidated financial statements are consistent with those set out in the annual report and financial statements for the year ended 31 March 2018.

New standards and interpretations effective from 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- Interpretation IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IAS 40 Transfer of Investment Property;
- Amendments to IFRS 2 Share based payments, on clarifying how to account for certain types of share-based payment transactions; and
- Annual improvements to IFRS Standards 2014-2016 Cycle (certain items effective from 1 January 2017).

The above standards and interpretations have not led to any changes to the group's accounting policies (other than disclosure) or had any other material impact on its financial position or performance.

IFRS 9 'Financial Instruments' has been implemented with effect from 1 April 2018 and has not had a material impact on either the unaudited condensed consolidated financial statements. However additional disclosures in respect of the impairment of financial assets may be required in the financial statements for the year ending 31 March 2019. IFRS 15 has no effect in this period as the group currently has no customers.

New standards and interpretations effective from 1 January 2019:

- Clarification to IFRS15 revenue from contracts with customers;
- Annual improvements to IFRS Standards 2015-2017 Cycle;
- Amendments to IFRS 9 Financial instruments, amendments in relation to prepayment features with negative compensation;
- Amendments to IAS 28 Investments in associates, on long term interests in associates and joint ventures;
- Amendments to IAS 19 Employee benefits on plan amendment, curtailment or settlement;
- IFRIC 23 Uncertainty over Income Tax Treatments; and
- IFRS 16 Leases.

New standards and interpretations effective from 1 January 2020:

- Conceptual Framework (Revised) and amendments to related references in IFRS standard.

The directors expect that the adoption of the above pronouncements (with the possible exceptions of IFRS9 and IFRS16) will have no material impact to the financial statements in the period of initial application other than disclosure.

IFRS 16 'Leases' will be effective for periods beginning on or after 1 January 2019 and therefore will be effective in the financial statements for the year ending on 31 March 2020; transition to IFRS 16 should take place on 1 April 2019. The directors have not yet assessed the full impact IFRS16 on these financial statements but in view of the nature of the group's leases, which are mineral leases with a notice periods of more than one year, believe that it will not have a significant effect.

There have been no other new or revised International Financial Reporting Standards, International Accounting Standards or Interpretations that are in effect since that last annual report that have a material impact on the 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 2018 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 2018 annual report – see note 1 above.

4. Statement of directors' responsibilities

The directors confirm to the best of their knowledge that: (a) the unaudited condensed consolidated financial statements have been prepared in accordance with the requirements of IAS 34 Interim financial reporting (as adopted by the European Union); and (b) the interim management report includes a fair review of the information required by the FCA'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 29 November 2018 and authorised for issue on behalf of the board by Bill Hooley, chief executive officer and Danesh Varma, 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. Earnings per share

The loss per share is computed by dividing the loss attributable to ordinary shareholders of £0.137 million (loss to 30 September 2017 £0.167m), by 177,608,051 (2017 – 177,608,051) - 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.

7. 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 segments, which is the basis on which information is reported to the board.

Income statement analysis

	Unaudited six months ended 30 September 2018			
	UK	**Sweden - investment**	**Canada - investment**	**Total**
	£	**£**	**£**	**£**
Expenses	(57,477)	-	-	(57,477)
Equity settled employee benefits	-	-	-	-
Investment income	52	-	-	52
Finance costs	(72,117)	(7,602)	-	(79,719)
Exchange rate movements	-	27	-	27
Loss for the period	(129,542)	(7,575)	-	(137,117)

	Unaudited six months ended 30 September 2017			
	UK	**Sweden - investment**	**Canada - investment**	**Total**
	£	**£**	**£**	**£**
Expenses	(78,100)	-	-	(78,100)
Equity settled employee benefits	(9,324)	-	-	(9,324)
Investment income	56	-	-	56
Finance costs	(72,116)	(7,838)	-	(79,954)
Exchange rate movements	136	-	-	136
Loss for the period	(159,348)	(7,838)	-	(167,186)

Assets and liabilities

`	Unaudited 30 September 2018			
	UK	Sweden investment	Canada investment	Total
	£	£	£	£
Non current assets	15,464,862	86,659	1	15,551,522
Current assets	74,446	1,105	-	75,551
Liabilities	(3,452,195)	(309,748)	-	(3,761,943)
Net assets/(liabilities)	12,087,113	(221,984)	1	11,865,130

	Audited 31 March 2018			
	UK	Sweden investment	Canada investment	Total
	£	£	£	£
Non current assets	15,439,055	86,659	1	15,525,715
Current assets	155,792	1,111	-	156,903
Liabilities	(3,378,271)	(280,835)	-	(3,659,106)
Net assets/(liabilities)	12,216,576	(193,065)	1	12,023,512

8. Deferred tax

There is an unrecognised deferred tax asset of £1.3 million (31 March 2018 - £1.3m) which, in view of the group's results, is not considered to be recoverable in the short term. There are also capital allowances, including mineral extraction allowances, exceeding £12.5 million (unchanged from 31 March 2018) unclaimed and available. No deferred tax asset is recognised in the condensed financial statements.

9. Mineral property exploration and evaluation costs

Mineral property exploration and evaluation costs incurred by the group are carried in the unaudited condensed consolidated financial statements at cost, less an impairment provision if appropriate. The recovery of these 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 £25,755 was incurred (six months to 30 September 2017 - £65,943). There have been no indicators of impairment during the period.

10. Investments

	Labrador	Grangesberg	Total
	£	£	£
Balance at 1 April 2018, 31 March 2018 and 31 March 2019	1	86,659	86,660

Labrador: The group's investment is classified as 'unquoted' and is held at a nominal value of £1.

Grangesberg: The group has a 6% holding in Grangesberg Iron AB (an unquoted Swedish company) and a right of first refusal over shares amounting to a further 51% of that company. This investment has been initially recognised and subsequently measured at cost, on the basis that the shares are not quoted and a reliable fair value is not able to be estimated.

11. Share capital

	Ordinary shares of 1p		Deferred shares of 4p		Total
Issued and fully paid	**Nominal value £**	**Number**	**Nominal value £**	**Number**	**Nominal value £**
At 31 March 2017 and 31 March 2018	1,776,081	177,608,051	5,510,833	137,770,835	7,286,914

12. Financial instruments

Group	Available for sale assets		Loans & receivables	
	Unaudited 30 September 2018	31 March 2018	Unaudited 30 September 2018	31 March 2018
	£	£	£	£
Investments	1	1	-	-
Deposit	-	-	123,279	123,227
Other receivables	-	-	18,014	19,790
Cash and cash equivalents	-	-	57,537	137,113
	1	1	198,830	280,130

	Financial liabilities measured at amortised cost	
	Unaudited 30 September 2018	31 March 2018
	£	£
Trade payables	(17,337)	(17,631)
Other payables	(50,340)	(48,239)
Loans	(3,644,266)	(3,543,236)
	(3,711,943)	(3,609,106)

13. Events after the reporting period

None.

14. Related party transactions

None.

Anglesey Mining plc

Directors:

John Kearney	Chairman
Bill Hooley	Chief executive
Danesh Varma	Finance director
David Lean	Non executive
Howard Miller	Non executive

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