

Connemara Mining Company Plc

Interim Report 2012



Interim Statement for the period ended 30 June 2012

It is not easy or fashionable to be an explorer in an economic recession. When the recession is as deep and long lasting as the world is currently experiencing the task is even greater. Investing money in high risk long term projects is of little interest to investors. If support for this position is needed you only have to look at the values of junior exploration companies, whose shares are listed in London, Toronto or Perth. Many share prices are at all time lows. Indeed many companies are valued at less than the cash on their balance sheets.

Yet the fundamentals for commodities have rarely been better. Over the coming decades billions of people will enter the middle class. Bubbles and shakeouts are normal in a long economic cycle but the march towards consumerism is inexorable. People, almost everywhere want the trappings of the Western middle classes. Housing, cars, white goods, mobiles and jewellery are only some of the goods which will experience strong demand in the coming decades. Zinc, lead, copper, gold and diamonds are seeing an increase in demand to meet their needs. For example zinc demand has grown from an annual growth rate of 2% to a 4% annual growth rate. This means one new big mine a year. Gold has a double advantage, growing industrial and jewellery usage but also a store of value in an uncertain world.

As demand grows the search for supplies intensifies. Most mines have relatively short economic lives so new discoveries are needed. Many of the “easy” discoveries have been made so explorers are going deeper in the ground and into even more remote areas to find supplies. Connemara is well positioned to take advantage of global trends. Located in a stable, investor friendly, country which also just happens to be highly prospective for zinc, the Company has over the years acquired a good portfolio of ground, in base metals and gold. In the last 50 years Ireland has developed a world class zinc industry with some of the biggest zinc mines in the world. Two of these, the Boliden owned Tara mine at Navan and the Vedanta owned Lisheen mine in Tipperary, are among the world’s biggest zinc mines. The world’s leading base metal explorers are all active in Ireland. Three recent discoveries have been made, Pallas Green (Xstrata), Stonepark (Teck/Connemara) and Kilbricken (Lundin). None are as yet commercial. Less well known is the upsurge in gold exploration in Ireland. There is almost no history of gold mining in the country but companies are now actively exploring the east and north of the country. One small mine has opened in Omagh.

Connemara is well positioned in Ireland. It has joint ventures with Teck of Canada on blocks prospective for zinc in the Stonepark area of Limerick and in the Oldcastle area of Cavan/Meath. In the east of the country, on the Wicklow/Wexford border, Connemara has a joint venture prospecting for gold with Hendrick of Canada.

Stonepark - Zinc Exploration

Stonepark in Limerick is a joint venture between Teck of Canada and Connemara where Teck hold 75% of the equity. In 2007, the joint venture made a zinc/lead discovery at Stonepark. Drilling over the past four years has found additional lenses at Stonepark North and West but much more remains to be done.

In 2012, a detailed review of work done to date and the results obtained was undertaken and new directions proposed. These are under discussion at the moment and it is hoped that they will be implemented in 2013. The Stonepark block includes licences in the Newcastle area to the Southwest. Following the review Teck have decided to return six of the licences in the Newcastle area, leaving ten licences in the joint venture. Connemara is reviewing options on these surrendered licences.

Oldcastle - Zinc Exploration

In mid 2012, Teck entered into a joint venture on 5 licences in the Cavan/Meath area. Teck will spend EUR1.35m to earn a 75% interest. This block contains geological features akin to those found in the Tara mine some 20kms away. Drilling by Connemara and others discovered zinc mineralisation on parts of the block. It is believed that better prospects lie at depth. Teck have the technical and financial resources to test this theory. Work has commenced on the block with a review of all historical data and some ground geophysics with the intention to identify drill targets for 2012/2013.

Wicklow/Wexford Gold Exploration

The principals of Connemara have been active in gold exploration in the Wicklow hills for a generation. The search is for the source of the alluvial gold which has been panned since 1796. High grade narrow vein gold has been found in the general area stretching south and a little to the west. Exploration by Connemara revealed concentrations in two areas, Tombreen and Knocknalour. Hendrick, a private Canadian firm, headed by gold veteran Dale Hendrick, identified the Wicklow area as having potential for a large scale gold deposit. Hendrick entered into a joint venture with Connemara to spend EUR1m to gain a 75% interest in our five blocks. Hendrick undertook a substantial airborne, magnetic and electromagnetic survey in 2012, the results of which show a number of anomalies on Connemara ground. Two teams are currently undertaking ground gravity and soil sampling surveys to identify drill targets.

Other Ground

Connemara holds licences in the Thurles, Nenagh and Castlemaine areas. Following a review, the Company is surrendering the Nenagh and Castlemaine ground.

Corporate

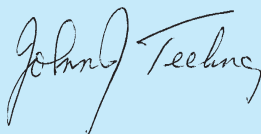
Exploration is high risk and long term. If one is lucky enough to make a discovery then the hard work of proving up the size and grade begins followed by various studies to prove financial viability. From discovery to commissioning is eight to ten years at best. Small companies find it very difficult to survive in this game.

Connemara has stretched exploration funds by farming out activities whereby other companies, often multinationals, earn an interest in a project by spending on exploration. Success poses a problem. Additional exploration expenditure completes the earn in. Now the minority partner, who is effectively a portfolio investor, must put up cash to maintain their percentage interest or else they dilute their interest. In good times, with an active stock market, funds can be raised to meet expenditure commitments. In tough times, with low share prices, raising new money can be costly and very dilutive. The alternatives are either dilution or sale of the project.

During 2012 Connemara received an expression of interest in acquiring their stake in the Stonepark discovery. Our financial advisors were unable to reach a way forward with the interested party. Once the budgets for 2013 are agreed we will know our financial needs. We will then examine the best ways to finance the requirement.

Connemara has good ground and good partners. We are in sectors with excellent long term fundamentals. When investor sentiment improves towards junior explorers we will be well placed to benefit.

John Teeling
Chairman

A handwritten signature in black ink that reads "John Teeling". The signature is written in a cursive style with a large, sweeping initial "J" and a long, horizontal flourish extending to the right.

24th September 2012

Financial Information (unaudited)

	Six Months Ended		Year Ended
	30 June 12	30 June 11	31 Dec 11
	unaudited	unaudited	audited
	€'000	€'000	€'000
Condensed Consolidated Statement of Comprehensive Income			
Continuing Operations			
Administrative expenses	(178)	(198)	(400)
OPERATING LOSS	(178)	(198)	(400)
Investment revenue	2	4	3
LOSS BEFORE TAXATION	(176)	(194)	(397)
Income tax expense	-	-	-
LOSS FOR THE PERIOD	(176)	(194)	(397)
LOSS PER SHARE - basic and diluted	(0.69c)	(0.81c)	(1.59c)

	30 June 12	30 June 11	31 Dec 11
	unaudited	unaudited	audited
	€'000	€'000	€'000
Condensed Consolidated Balance Sheet			
ASSETS			
NON CURRENT ASSETS			
Intangible Assets	2,255	1,896	2,098
CURRENT ASSETS			
Other receivables	31	115	52
Cash and cash equivalents	252	1,050	662
	283	1,165	714
TOTAL ASSETS	2,538	3,061	2,812
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	(363)	(507)	(461)
NET CURRENT (LIABILITIES)/ASSETS	(80)	658	253
NET ASSETS	2,175	2,554	2,351
EQUITY			
Share Capital	257	257	257
Share Premium	4,105	4,105	4,105
Reserves	(2,187)	(1,808)	(2,011)
TOTAL EQUITY	2,175	2,554	2,351

Financial Information (unaudited)

Condensed Consolidated Statement of Changes in Shareholders Equity

	Called-up Share Capital €'000	Share Premium €'000	Share Based Payment Reserves €'000	Retained Deficit €'000	Total €'000
As at 1 January 2011	204	3,029	56	(1,670)	1,619
Shares issued	53	1,135			1,188
Share issue expenses		(59)			(59)
Loss for the period				(194)	(194)
As at 30 June 2011	257	4,105	56	(1,864)	2,554
Loss for the period				(203)	(203)
As at 31 December 2011	257	4,105	56	2,067	2,351
Loss for the period				(176)	(176)
As at 30 June 2012	257	4,105	56	2,243	2,175

	Six Months Ended 30 June 12 unaudited €'000	30 June 11 unaudited €'000	Year Ended 31Dec 11 audited €'000
Condensed Consolidated Cash Flow			
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year	(176)	(194)	(397)
Investment revenue	(2)	(4)	(3)
Exchange movements	(8)	31	23
	(186)	(167)	(377)
Movements in working capital	(77)	(11)	6
CASH USED BY OPERATIONS	(263)	(178)	(371)
Investment revenue	2	4	3
NET CASH USED IN OPERATING ACTIVITIES	(261)	(174)	(368)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation	(157)	(607)	(862)
Receipts for exploration and evaluation			53
NET CASH USED IN INVESTING ACTIVITIES	(157)	607	(809)
FINANCING ACTIVITIES			
Proceeds from issue of equity shares	-	1,188	1,188
Share issue costs	-	(59)	(59)
NET CASH FROM FINANCING ACTIVITIES	-	1,129	1,129
NET DECREASE IN CASH AND CASH EQUIVALENTS	(418)	348	(48)
Cash and Cash Equivalents at beginning of the period	662	733	733
Effects of exchange rate changes on cash held in foreign currencies	8	(31)	(23)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	252	1,050	662

Notes

1. Information

The financial information for the six months ended June 30th, 2012 and the comparative amounts for the June 30th, 2011 are unaudited. The financial information above does not constitute full statutory accounts within the meaning of section 148 of the Companies Act 1963.

The interim financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The accounting policies and methods of computation used in the preparation of the interim financial statements are consistent with those used in the Group 2011 Annual Report, which is available at www.connemaramining.com.

The interim financial statements have not been audited or reviewed by the auditors of the Group pursuant to the Auditing Practices board guidance on Review of Interim Financial Information.

2. No dividend is proposed in respect of the period.

3. Loss per share

	30 June 12	30 June 11	31 Dec 11
	€	€	€
Loss per share – Basic and Diluted	(0.69c)	(0.81c)	(1.59c)
<u>Basic loss per share</u>			
The earnings and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:			
Loss for the year attributable to equity holders of the Parent	(176,374)	(193,947)	(397,121)
Weighted average number of ordinary shares for the purpose of basic earnings per share	25,709,711	24,055,601	24,918,615

Basic and diluted loss per share are the same as the effect of the outstanding share options is anti-dilutive.

4. Intangible Assets

	30 June 12	30 June 11	31 Dec 11
	€'000	€'000	€'000
Exploration and evaluation assets:			
Cost at 1 January	2,098	1,289	1,289
Additions	157	607	862
Disposals	-	-	(53)
Closing Balance	2,255	1,896	2,098

The above represents expenditure on projects in Ireland and Zimbabwe.

The realisation of the intangible asset is dependent on the successful development of economic reserves which is subject to a number of risks as outlined below. Should this prove unsuccessful the value included in the balance sheet would be written off to the statement of comprehensive income.

The group's activities are subject to a number of significant potential risks including;

- Uncertainties over development and operational costs
- Political & legal risks, including arrangements with governments for licences, profit sharing and taxation;
- Liquidity risks
- Going concern
- Operational and environmental risks

The directors are aware that by its nature there is an inherent uncertainty in such exploration and evaluation expenditure as to the value of the asset. Having reviewed the deferred development expenditure at 30 June 2012, the directors are satisfied that the value of the intangible asset is not less than carrying value.

5. Share Capital and Share Premium

	30 June 12 €'000	30 June 11 €'000	31 Dec 11 €'000
Authorised:			
200,000,000 ordinary shares of €0.01 each	2,000	2,000	2,000
	<u> </u>	<u> </u>	<u> </u>
Allotted, Called Up and Fully Paid:			
	Number	Share Capital €'000	Share Premium €'000
Balance at 1 January 2011	20,459,711	204	3,029
Issued during period	5,250,000	53	1,135
Less share issue expenses			(59)
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2011	25,709,711	257	4,105
Issued during period	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2011	25,709,711	257	4,105
Issued during period	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Balance at 30 June 2012	<u>25,709,711</u>	<u>257</u>	<u>4,105</u>

On 25 February 2011, 5,250,000 shares were issued at a price of 20p per share to provide additional working capital and fund development costs.

Allocated to each new share was a 12 month warrant to buy one share exercisable at a price of 35p. The warrants expired on 25 February 2012.

- The Interim Report for the six months to June 30th 2012, was approved by the Directors on 24th September 2012.
- Copies of the interim report will be sent to shareholders and will be available for inspection at the Companies Registered Office at 162 Clontarf Road, Dublin 3, Ireland. The Interim Report will also shortly be available for viewing on Connemara Mining Company Plc's website at www.connemaramining.com.

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