

London Mining plc
Chairman's statement

Dear Shareholders

London Mining continues to deliver on its commitment to create shareholder value and on 6 November 2009 concluded an extremely successful admission to London's Alternative Investment Market (AIM). Over 37 million ordinary shares were placed with around 30 UK based institutions at NOK18 providing London Mining with a high quality register of both generalist and mining specialist funds. The secondary placement, totalling GBP 71 million, is the largest mining transaction on AIM in 2009.

With a current market capitalization of around GBP 240 million, London Mining is one of the larger companies on AIM. We adhere to a policy of good corporate governance and quarterly reporting, and have commenced a Group initiative for the development of a Corporate Social Responsibility (CSR) programme. We will provide an update on this in 2010.

We believe that with the AIM listing, the Company will benefit from established mining sector research coverage in London and improved access to global investors. Liberum and GMP have published research that clearly demonstrates the strength of our strategy and highlights the significant value growth to be expected from delivery of each project.

London Mining's objective is to become a mid-tier supplier to the global steel industry. We have four iron ore projects with a phased development plan to bring those assets to production. During this third quarter London Mining achieved good progress in moving these projects up through the value curve.

In August 2009, London Mining reached settlement of its long-running dispute with African Minerals Limited and the Government of Sierra Leone (GOSL) over the mining lease boundaries of the Marampa mine in Sierra Leone. GOSL issued London Mining with a new mining lease, which provides additional tailings together with all historic primary ore resources, and also incorporates the remaining infrastructure of the previous mine, last operated in 1985. Fast-track development of the first phase 1.5mtpa production from the tailings is expected to be completed by the beginning of 2011 and we are excited about significant expansion potential from a larger primary ore resource base. We are currently conducting an extensive drilling programme and anticipate releasing a JORC resource for the tailings later this year, with news on the primary ore body in the first half of next year.

The CGMR joint venture in China has continued to assess the resources of the XNS and surrounding properties and is focusing on immediate consolidation opportunities with the potential for substantial increase in production.

Our technical team continues to progress our Wadi Sawawin (Saudi Arabia) and Isua (Greenland) projects through feasibility studies. We expect the Wadi Sawawin bankable feasibility study to be completed in the fourth quarter 2009 and the Isua pre-feasibility study, with the benefit of our enhanced team of cold-climate experts, in the first quarter 2010.

With proven assets, a technical team with broad expertise and a strong balance sheet, we intend to become an established company with some of the world's leading mining houses on the London market.



CJ Knight
Chairman

London Mining plc

Operating review (continued)

London Mining made significant headway on its four principal projects over the quarter and has also embarked on several new initiatives as the Company moves towards realising its ambition to become a mid-tier developer of mines for the steel industry. These are the development of a corporate social responsibility programme and a new JORC resource campaign.

Update on principal projects

Marampa (100%), Sierra Leone

During the quarter the company resolved its dispute with the Government of Sierra Leone and African Minerals and was issued with a new 13.82km² mining licence. Testwork was also received from CDTN in Brazil which showed that either sinter feed or blast furnace feed could be produced from the reprocessed Marampa tailings using two stage Wet High Intensity Magnetic Separation (WHIMS). Production of sinter feed is possible without the installation of a milling circuit and CRU Strategies have indicated that the resulting product should capture a USD 3/dmt premium to Brazilian Itabira fines if sold into the European market. The Company expects to have a JORC standard resource statement for the tailings in December 2009 and for the primary ore in June 2010. A construction decision for Marampa is expected by the end of 2009 following final ratification of fiscal incentives in the Sierra Leone Parliament.

Wadi Sawawin (50% JV), Saudi Arabia

The Company expects to deliver the BFS for Wadi Sawawin by the end of 2009. A 2,640m drilling campaign is underway with the aim of extending the mine life for the project from 14 to 17 years. The joint venture has a total licence area of 211.2 km² with the area comprising the current 230Mt resource lying within an area of 3.5km². Initial work indicates good further exploration potential and an 8,000m drilling programme is planned to increase the regional resource.

Isua (100%), Greenland

During the September quarter, London Mining completed 3,600m of drilling at Isua, the results of which allow an updated JORC resource statement at the end of 2009. SNC Lavalin have been appointed to complete a prefeasibility study expected to be delivered during Q1 2010. Also during the quarter, the owner's cold climate specialist team was augmented by the appointment of Dr Xiaogun Hu, an expert in glacier management and cold weather construction.

China Global Mining Resources JV (50%)

In July the CGMR JV commissioned Wardrop Engineering to estimate a resource from historical drill data (60 holes comprising an estimated 24,000m of drilling were completed on the licence area in the 1970s). Wardrop has indicated that mineralisation is pervasive throughout the licence area and at depth. A drilling campaign to confirm the historic data is currently being planned and is expected to commence towards the end of 2009 with the aim of producing a resource statement to JORC standards in 2010. The JV has entered into an MoU to acquire the other operators on the expanded licence, and is conducting due diligence. The acquisition will provide an immediate additional 0.3Mtpa concentrate production capacity and allow the JV to begin planning for an enlarged operation.

Other Investments

London Mining made its first coal investments during 2008, with interests in DMC Energy Pty Ltd (DMC Energy) and International Coal Company (ICC).

DMC Energy (effective 28%), South Africa

A definitive feasibility study for the 70% owned Rietkuil project has still yet to be delivered by DMC. Early indications show that Rietkuil can be developed on a wholly open-pit basis. The feasibility study is expected to be released ahead of DMC's proposed listing on the Johannesburg Stock Exchange in Q2 2010

International Coal Company Ltd (20%), Colombia

London Mining continues to review its investment in Colombia and plans to spend up to USD 5 million on exploration before making a further investment.

Corporate development

Corporate Social Responsibility

Further to the release of its Competent Person's Report in October London Mining has engaged Wardell Armstrong to review its CSR performance and capability. London Mining currently meets all local Environmental, Health, Safety and Community requirements at a local level but plans to ensure that all its projects are developed in line with industry best practice.

JORC programme

London Mining has launched a comprehensive mineral resource definition programme in order to better understand the geological potential of its resources under the supervision of its Manager for Resources and Development, Sergio Guedes. The Company plans to report all resources to JORC standards in line with industry best practice. Updated resource statements for Marampa, Wadi Sawawin and Greenland are expected by the end of the year. The Company also plans to drill a further 22,000m to further expand existing resources across all of its projects.

London Mining plc

Financial review

Income statement

The Group recorded a net loss of USD 23.5 million from continuing operations for the nine months ending 30 September 2009 (30 September 2008: USD 654.7 million profit including profit from discontinued operations of USD 669.1 million). Included within this loss is:

Income:

- USD 2.2 million (2008: nil) gross profit in respect of 50% of the profits of CGMR BVI;
- USD 1.5 million (2008: nil) net management fee receivable by the Group from CGMR BVI after eliminating the Group's 50% share of the cost on consolidation;

Staff related costs including:

- USD 2.4 million (2008: USD 1.9 million) staff costs for directors and key management;
- USD 3.1 million (2008: nil) charge arising from the Return Bonus Plan¹;
- USD 2.9 million of other staff costs (2008: USD 1.2 million). This increase is attributable to increased staff numbers in the Group's iron ore technical team and the London head office;
- USD 2.9 million (2008: USD 4.7 million) of share based payments to staff, directors and key management. This reduction is due to the majority of director options vesting in July 2008 along with a USD 1.1 million credit to the income statement in February 2009 in relation to the Group's previous managing director's LTIP awards which lapsed upon his resignation;

Other:

- USD 4.1 million (2008: USD 2.0 million) of professional and legal fees. This variance is attributable to fees incurred in due diligence of potential transactions;

Exceptional item:

- USD 6.0 million (2008: nil) impairment on the Group's investment in its associate, DMC Coal following DMC's representation that it may no longer proceed with the Pixley Ka Seme coal prospect.

Balance sheet

Equity attributable to equity holders of the parent has fallen from USD 367.6 million at 31 December 2008 to USD 335.8 million at 30 September 2009. This was principally due to the loss for the period of USD 23.5 million and further acquisitions of the Company's shares by the Employee Benefit Trust to meet future obligations under the Company employee share schemes at a cost of USD 11.1 million.

The most significant change in the composition of the balance sheet arose from the Company entering into a 50:50 joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin). Under the terms of the agreement, the Company subscribed USD 38.7 million for 100 A Shares in the joint venture entity China Global Mining Resources (BVI) Limited (CGMR BVI) and made a direct loan to Wits Basin of USD 5.75 million, making a total initial investment of USD 44.5 million. As part of the joint venture agreement, CGMR BVI passed the cash received from London Mining of USD 38.7 million to its wholly owned subsidiary China Global Mining Resources Limited (CGMR). CGMR then completed the acquisition of two Chinese companies: Xiaonanshan Mining Co Limited (XNS) and Nanjing Sudan Mining Co Limited (Sudan).

¹ 2009 compensation payments made under the Return Bonus Plan relate to the "Return of Cash" to shareholders in the second half of 2008. Full details of the compensation scheme are disclosed in the 2008 annual report. In summary, participants in the Company's share-based remuneration schemes receive an equivalent compensation payment for the loss of value in awards held at the time of the Return of Cash. The compensation payment vests in accordance with underlying terms of the original award to which it relates.

Balance sheet (continued)

The Company has proportionally consolidated 50% of CGMR BVI. For accounting purposes the USD 38.7 million investment in CGMR BVI is treated as debt due from the joint venture of USD 34.9 million (on a 100% basis and after discounting for the timings of the anticipated future cash inflows) and an equity contribution to the joint venture of USD 3.8 million (in exchange for the Group's 50% interest). The Group's consolidated balance sheet shows:

- USD 5.75 million non-current 'loan to joint venture partner' representing the interest-bearing loan to Wits Basin;
- USD 17.71 million non-current 'loan to joint venture' representing the joint venture partner's 50% share of the USD 35.4 million liability in CGMR BVI;
- USD 42.1 million of fixed assets representing the Group's 50% share of the provisional fair value of the individual gross assets in the balance sheet of the joint venture includes mineral reserves and mining rights of USD 37.9 million, which form part of property plant and equipment, deferred tax payable of USD 8.5 million and deferred consideration to due to the seller of USD 8.6 million; and
- Further details of the accounting of this transaction are shown in note 9 to the interim financial information.

London Mining continued to invest in exploration and evaluation activity, principally in Sierra Leone, Saudi Arabia and Greenland with these direct costs being capitalised as intangible assets. Intangible assets increased from USD 20.2 million at 31 December 2008 to USD 34.2 million at 30 September 2009.

London Mining's investment in associates of USD 14.8 million at 30 September 2009 (31 December 2008: USD 20.6 million) comprises USD 4.5 million in International Coal Company Ltd (ICC) and USD 9.5 million in DMC Coal. This balance takes into account an impairment charge of USD 6.0 million in the nine months relating to the Group's investment in its associate, DMC Coal (see note 5). The Group's investment in DMC Coal of USD 9.5 million, together with the Group's convertible loan receivable of USD 18.5 million, gives a total investment in the DMC group of USD 28.0 million at 30 September 2009.

The Group's cash balance has fallen for the reasons set out in the cash flow section below.

Cash flow

- Total cash decreased during the nine months to 30 September 2009 by USD 86.4 million to USD 229.9 million.

In summary the net decrease in cash during the period resulted from:

- USD 13.4 million net outflow from operating activities;
- USD 61.1 million net outflow from investing activities; and
- USD 12.2 million net outflow from financing activities.

This net decrease is predominantly due to:

Operating cash outflow:

- In respect of the Group's administrative expenses, as described above under 'income statement';

Cash flow (continued)

Investing cash outflows:

- USD 38.7 million investment in CGMR BVI;
- USD 5.75 million loan to Wits Basin (joint venture partner); and
- USD 16.2 million spent on intangible and tangible assets, reflecting the Group's ongoing development of its projects; and

Financing cash outflow:

- USD 11.1 million loan to the Group's Employee Benefit Trust to acquire London Mining plc shares to meet its obligations under the Company's share-based remuneration scheme.

Liquidity and going concern

At 30 September 2009, the Group had cash of USD 229.9 million and no material borrowings. Under the terms of the Substantial Shareholder Exemption (SSE), which granted the 2008 disposal of the Group's Brazilian operations tax free status, the Group is to reinvest a significant proportion of the proceeds into qualifying trading activities.

Original clearance was sought and received from HMRC in July 2008. Because of subsequent changes to the original planned investment programme, an updated clearance was obtained from HMRC on 17 September 2009 which reflects the Group's current plans. The Group remains committed to delivering its approved strategy and believes the SSE clearance is still effective.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing the half-yearly condensed financial statements.

Risks and uncertainties

The Group is exposed to a variety of risks and uncertainties which may affect it. The principal risks and uncertainties facing the Group at the 2008 year end were set out in detail in the Directors' Report section of the 2008 Annual Report, and remain appropriate in 2009. The principal risks identified were: mineral reserves and resources, dependence on licenses, commodity prices, government regulations, environmental risks and hazards, foreign operations, joint venture risk, insurance and uninsured risk, dependence on key personnel, liquidity risk, currency risk and principal shareholder risk. Details of any risks and uncertainties specific to this year are covered in the operational review in this third quarter financial report.

Forward looking information

This third quarter financial report contains certain forward looking statements with respect to the financial condition, results, operations and business of the Group. These statements and forecasts involve risk and uncertainty because they relate to events that depend on circumstances in the future. There are a number of factors that could cause actual results or developments to differ from those expressed or implied by these forward looking statements.

London Mining plc
Condensed consolidated income statement

		Unaudited Three months ended 30 September 2009 \$'000	Unaudited Three months ended 30 September 2008 \$'000	Unaudited Nine months ended 30 September 2009 \$'000	Unaudited Nine months ended 30 September 2008 \$'000
	Note				
Continuing operations					
Revenue		2,949	-	5,933	-
Cost of sales		(1,734)	-	(3,716)	-
Gross profit		1,215	-	2,217	-
Other operating income		693	-	1,484	-
Administrative expenses	4	(9,138)	(4,224)	(21,610)	(14,814)
Impairment of investment in associate	5	-	-	(6,000)	-
Loss from operations		(7,230)	(4,224)	(23,909)	(14,814)
Share of results of associates (net of tax)		19	(81)	(135)	(81)
Finance income	6	618	17,173	2,061	23,793
Finance costs	6	(280)	(14,196)	(1,470)	(23,268)
Loss before taxation		(6,873)	(1,328)	(23,453)	(14,370)
Taxation		-	-	(19)	-
Loss for the period - continuing operations		(6,873)	(1,328)	(23,472)	(14,370)
Discontinued operations					
Profit from discontinued operations	8	-	3,394	-	4,897
Post-tax profit on disposal of discontinued operations		-	664,194	-	664,194
Profit for the period – discontinued operations		-	667,588	-	669,091
Profit / (loss) for the period		(6,873)	666,260	(23,472)	654,721
Attributable to:					
- Equity holders of parent		(6,873)	666,260	(23,445)	654,721
- Minority interest		-	-	(27)	-
		(6,873)	666,260	(23,472)	654,721
Basic & diluted earnings per share (USD per share)					
From continuing operations	7	(0.07)	(0.01)	(0.23)	(0.14)
From discontinued operations	7	-	6.46	-	6.60
		(0.07)	6.45	(0.23)	6.46
Condensed consolidated statement of comprehensive income					
Profit / (loss) for the period		(6,873)	666,261	(23,472)	654,721
Exchange difference on consolidation of non USD operations ¹		256	(10,119)	767	1,278
Total comprehensive income for the period		(6,617)	656,142	(22,705)	655,999

¹ The exchange difference on consolidation of non USD operations is entirely attributable to the equity holders of the parent.

London Mining plc
Condensed consolidated balance sheet

	Note	Unaudited As at 30 September 2009 \$'000	Audited as at 31 December 2008 \$'000
Non-current assets			
Intangible assets		34,229	20,161
Property, plant and equipment		43,965	1,137
Loan to joint venture	9	17,712	-
Loan to joint venture partner	9	5,750	-
Investment in associates	5	14,768	20,610
Inventories		600	449
Receivables		2,555	-
Convertible loan receivable	14	18,500	18,500
		138,079	60,857
Current assets			
Inventories		141	8
Receivables		6,357	1,735
Receivable from joint venture partner		1,083	1,000
Cash and cash equivalents		229,857	316,286
		237,438	319,029
Total assets		375,517	379,886
Current liabilities			
Current tax liabilities		1,741	-
Deferred consideration payable	9	8,592	-
Trade and other payables		15,237	11,821
		25,570	11,821
Net current assets		213,868	307,208
Non-current liabilities			
Payable to joint venture partner		2,150	-
Other long term payables		3,549	-
Deferred tax liabilities		8,467	32
		14,166	32
Total liabilities		39,736	11,853
Total net assets		335,781	368,033
Equity			
Share capital		398	398
Shares held in employee benefit trust		(14,167)	(5,159)
Share premium account		19,954	19,954
Other reserves		19,771	19,543
Retained earnings		309,413	332,858
Equity attributable to equity holders of the parent		335,781	367,594
Minority interest		412	439
Total equity		335,781	368,033

London Mining plc
Condensed consolidated statement of changes in equity

	Share capital \$'000	Shares held in employee benefit trust \$'000	Share premium account \$'000	Retained earnings \$'000	¹ Warrant and option reserve \$'000	² Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
Balance at 31 December 2007 (audited)	362	-	101,093	(21,243)	11,493	18,377	110,082	-	110,082
Changes in equity for the nine months ended 30 September 2008									
Exchange difference arising on change in functional currency	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Exchange difference on consolidation of non USD operations	-	-	-	-	-	6,660	6,660	-	6,660
Recognition of share-based payments	-	-	-	-	7,847	-	7,847	-	7,847
Issue of share capital (net of expenses)	26	-	23,842	2,419	(7,642)	-	18,645	-	18,645
Acquisition of subsidiary	-	-	-	-	-	-	-	476	476
Acquisition of shares for Employee Benefit Trust	-	(6,417)	-	-	-	-	(6,417)	-	(6,417)
Foreign exchange disposed on sale of subsidiary	-	-	-	-	-	(14,681)	(14,681)	-	(14,681)
Profit for the period	-	-	-	654,721	-	-	654,721	-	654,721
Balance at 30 September 2008 (unaudited)	388	(6,417)	124,935	635,897	11,698	4,974	771,475	476	771,951
Changes in equity for three months ended 31 December 2008									
Exchange difference on consolidation of non USD operations	-	-	-	-	-	(492)	(492)	-	(492)
Recognition of share-based payments	-	877	-	-	3,171	-	4,048	-	4,048
Issue of share capital (net of expenses)	10	-	1,135	167	192	-	1,504	-	1,504
Share premium extinguished in redemption of C shares	-	-	(106,116)	-	-	-	(106,116)	-	(106,116)
Income received by Employee Benefit Trust on C share redemption	-	-	-	3,217	-	-	3,217	-	3,217
Dividends paid on 'B' shares	-	-	-	(237,820)	-	-	(237,820)	-	(237,820)
Acquisition of shares for Employee Benefit Trust	-	381	-	-	-	-	381	-	381
Loss for the period	-	-	-	(68,603)	-	-	(68,603)	(37)	(68,640)
Balance at 31 December 2008 (audited)	398	(5,159)	19,954	332,858	15,061	4,482	367,594	439	368,033
Changes in equity for nine months ended 30 September 2009									
Exchange difference on consolidation of non USD operations	-	(288)	-	-	-	767	767	-	767
Recognition of share-based payments	-	2,386	-	-	(539)	-	1,847	-	1,847
Acquisition of shares by Employee Benefit Trust	-	(11,106)	-	-	-	-	(11,394)	-	(11,394)
Loss for the period	-	-	-	(23,445)	-	-	(23,445)	(27)	(23,472)
Balance at 30 September 2009 (unaudited)	398	(14,167)	19,954	309,413	14,522	5,249	335,369	412	335,781

¹ The warrant and option reserve includes warrants and options granted as equity settled employee benefits and warrants issued for cash.

² This includes exchange differences arising on the change in functional currency of the company which occurred in the year ended 31 December 2008.

London Mining plc
Condensed consolidated cash flow statement

	Note	Unaudited Nine months ended 30 September 2009 \$'000	Unaudited Nine months ended 30 September 2008 \$'000
Cash flows from operating activities			
Cash used by operations	10	(13,934)	(9,763)
Interest received		765	4,990
Interest expense		(16)	(5,908)
Income taxes paid		(261)	-
Net cash outflow from operating activities – continuing operations		(13,446)	(10,681)
Net cash inflow from operating activities – discontinued operations		-	4,845
Net cash outflow from operating activities – total Group		(13,446)	(5,836)
Cash flows from investing activities			
Proceeds from sale of discontinued operations		-	809,901
Cash disposed on sale of discontinued operations		-	(5,898)
Transaction costs paid on sale of discontinued operations		(541)	(8,316)
Acquisition of subsidiaries net of cash acquired		-	(227)
Investment in associates		-	(21,473)
Cash in on acquisition of joint venture		140	-
Loans to joint venture & associates	9	(38,727)	(100)
Loans to joint venture & associate partners	9	(5,750)	(10,300)
Payments to acquire intangible assets		(13,959)	(6,851)
Purchase of property, plant and equipment		(2,265)	(446)
Net cash outflow from investing activities – continuing operations		(61,102)	756,290
Net cash outflow from investing activities – discontinued operations		-	(21,899)
Net cash (outflow) / inflow from investing activities – total Group		(61,102)	734,391
Cash flows from financing activities			
Acquisition of shares by Employee Benefit Trust		(11,106)	(6,417)
Proceeds from issue of ordinary shares		-	17,763
Cash outflow on share based payments		(1,060)	-
Callable and Puttable bonds 2007/2012 (defeased)		-	(67,598)
Net cash outflow from financing activities – continuing operations		(12,166)	(56,252)
Net cash outflow from financing activities – discontinued operations		-	(1,500)
Net cash outflow from financing activities – total Group		(12,166)	(57,752)
Net increase in cash and cash equivalents		(86,714)	670,803
Cash and cash equivalents at beginning of period		316,286	90,718
Exchange differences		285	(5,885)
Cash and cash equivalents at end of period		229,857	755,636

London Mining plc

Notes to the condensed consolidated financial statements

1. General information

The financial information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies and are available on the Group's website www.londonmining.co.uk. The auditors reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2. Accounting policies

The annual financial statements of London Mining plc are prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union (IFRSs). The condensed consolidated financial statements included in this third quarter report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as applied in the Group's financial statements for the year ended 31 December 2008, except for as described below.

Change in accounting policy

In the current year, the Group has adopted IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements Revised' and IAS 1 'Presentation of Financial Statements Improvements' with effect from 1 January 2009.

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to the Board of Directors serving only as a starting point for the identification of such segments. The segments identified in accordance with IFRS 8 have not materially changed from those previously disclosed under IAS 14. As a result, the segmental information required by IAS 34 which is included in note 3 is presented in accordance with IFRS 8.

The adoption of IAS 1 has resulted in the consolidated statement of comprehensive income being presented as a primary statement. The Group has elected to continue to present a separate income statement and statement of comprehensive income.

Joint venture entities

During the period, the Group acquired its first interest in a joint venture entity. A joint venture entity is an entity in which the Group holds a long term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

The Group's share of the assets, liabilities, income, expenditure and cash flows of such jointly controlled entities are accounted for using proportionate consolidation. Proportionate consolidation combines the Group's share of results of the joint venture entity on a line by line basis with similar items in the Group's financial statements.

Going concern

After making enquiries, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements. Further details are included in the "Liquidity and going concern" section of the Financial Review.

London Mining plc
Notes to the condensed consolidated financial statements

3. Operating segments

During the period, the Group was organised into two business segments. These are the mining, extraction and production of iron ore (Iron ore), and the mining, extraction and production of coal (Coal). These segments are the basis on which the Board of Directors reviews the performance of the Group. The Board of Directors evaluates the performance of the Group principally with reference to profit or loss from operations.

The Group's discontinued operations in the prior year relate to the mining, extraction and production of iron ore. Details of discontinued operations for the three and nine months ended 30 September 2008 are listed in note 8.

Three months ended 30 September 2009				
Group	Iron ore	Coal	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Revenue	2,949	-	-	2,949
Cost of sales	(1,734)	-	-	(1,734)
Other operating income	693	-	-	693
Administrative expenses	(2,325)	(73)	(6,740)	(9,138)
Loss from operations - continuing operations	(417)	(73)	(6,740)	(7,230)
Share of results of associates	-	19	-	19
Net finance income	59	-	279	338
Taxation	-	-	-	-
Loss for the period – continuing operations	(358)	(54)	(6,461)	(6,873)
Total assets	113,300	33,525	228,692	375,517

Three months ended 30 September 2008				
Group	Iron ore	Coal	Corporate	Total
	\$'000	\$'000	\$'000	\$'000
Administrative expenses	(966)	(75)	(3,183)	(4,224)
Segment loss - continuing operations	(966)	(75)	(3,183)	(4,224)
Share of results of associates	-	(81)	-	(81)
Net finance income	-	-	2,977	2,977
Taxation	-	-	-	-
Loss for the period – continuing operations	(966)	(156)	(206)	(1,328)
Total assets	17,690	29,855	758,936	806,481

London Mining plc
Notes to the condensed consolidated financial statements

3. Operating segments (continued)

Nine months ended 30 September 2009

Group	Iron ore \$'000	Coal \$'000	Corporate \$'000	Total \$'000
Revenue	5,933	-	-	5,933
Cost of sales	(3,716)	-	-	(3,716)
Other operating income	1,484	-	-	1,484
Administrative expenses	(9,033)	(1,169)	(11,408)	(21,610)
Impairment of investments in associates	-	(6,000)	-	(6,000)
Segment loss - continuing operations	(5,332)	(7,169)	(11,408)	(23,909)
Share of results of associates	-	(135)	-	(135)
Net finance income	71	-	520	591
Taxation	(19)	-	-	(19)
Loss for the period – continuing operations	(5,280)	(7,304)	(10,888)	(23,472)
Total assets	113,300	33,525	228,692	375,517

Additional operating analysis by geography is presented below:

Nine months ended 30 September 2009

Group	Total assets \$'000	Total liabilities \$'000	Net assets \$'000	Capital expenditure \$'000
Greenland	14,525	-	14,525	(7,193)
Sierra Leone	12,349	(374)	11,975	(1,965)
China	71,787	(24,355)	47,432	(1,129)
Saudi Arabia	8,536	(1,090)	7,446	(5,681)
Mexico	1,386	-	1,386	(162)
Corporate	233,666	(13,917)	219,749	(94)
Convertible loan in associates	18,500	-	18,500	-
Associates	14,768	-	14,768	-
Total	375,517	(39,736)	335,781	(16,224)

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Nine months ended 30 September 2008

Group	Iron ore \$'000	Coal \$'000	Corporate \$'000	Total \$'000
Administrative expenses	(2,084)	(75)	(12,655)	(14,814)
Segment loss - continuing operations	(2,084)	(75)	(12,655)	(14,814)
Share of results of associates		(81)		(81)
Net finance income	-	-	525	525
Taxation	-	-	-	-
Loss for the period – continuing operations	(2,084)	(156)	(12,130)	(14,370)
Total assets	17,690	29,855	758,936	806,481

Nine months ended 30 September 2008

Group	Total assets \$'000	Total liabilities	Net assets	Capital expenditure \$'000
Greenland	6,343	-	6,343	(5,345)
Sierra Leone	9,862	(85)	9,777	(1,769)
China	-		-	-
Saudi Arabia	642	-	642	-
Mexico	1,277	-	1,277	-
Corporate	758,502	(34,445)	724,057	(183)
Convertible loan in associates	9,500		9,500	-
Associates	20,355		20,355	-
Total	806,481	(34,530)	771,951	(7,297)

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4. Administrative expenses

The key components of administrative expenses are as follows:

	Three months ended 30 September 2009 \$'000	Three months ended 30 September 2008 \$'000	Nine months ended 30 September 2009 \$'000	Nine months ended 30 September 2008 \$'000
Return Bonus Plan ¹	992	-	3,082	-
Share-based payments to consultants	-	128	-	1,222
Staff costs				
Share-based payments to staff, directors and key management	1,661	1,828	2,907	5,959
Directors and key management remuneration excluding share-based payments	503	500	2,401	1,882
Other staff costs	1,043	448	2,870	1,245
Professional and legal fees	1,139	584	4,061	2,005
Depreciation ²	127	134	361	389
Operating lease costs – property	176	41	500	150

¹ 2009 compensation payments made under the Return Bonus Plan relate to the 2008 “Return of Cash” to shareholders. Full details of the compensation scheme are disclosed in the 2008 annual report. In summary, participants in the Company’s share-based remuneration schemes receive an equivalent compensation payment for the loss of value in awards held at the time of the Return of Cash. The compensation payment vests in accordance with underlying terms of the original award to which it relates.

² Depreciation of USD 1,178,000 has also been included within cost of sales in the income statement relating to CGMR BVI. Total depreciation of USD 1,539,000 is included in the loss for the nine months to 30 September 2009.

5. Impairment of investment in associate

In August 2009, following the application review of the Pixley Ka Seme coal project by the South African Department of Minerals and Energy, Delta Mining Consolidated (Pty) Ltd management brought to London Mining’s attention that it would no longer proceed with this prospect. As a result of this information, London Mining wrote down its investment in DMC Coal Mining (Pty) Ltd by USD 6.0 million as at 30 June 2009, reflecting the carrying value the Group attributed to this particular project.

6. Finance income and costs

	Three months ended 30 September 2009 \$'000	Three months ended 30 September 2008 \$'000	Nine months ended 30 September 2009 \$'000	Nine months ended 30 September 2008 \$'000
Finance income				
Interest income from cash and cash equivalents	151	2,958	765	4,990
Interest income from loans receivable	20	-	83	-
Unwinding of discount on net loan receivable from joint venture	147	-	238	-
Exchange gains	300	14,215	975	18,803
	618	17,173	2,061	23,793

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6. Finance income and costs (continued)

	Three months ended 30 September 2009 \$'000	Three months ended 30 September 2008 \$'000	Nine months ended 30 September 2009 \$'000	Nine months ended 30 September 2008 \$'000
Finance costs				
Interest expense	1	8	16	33
Interest on Callable and Puttable Bonds 2007/2012 ¹	-	2,071	-	6,408
Unwinding of discount on long term liabilities	106	-	173	-
Exchange losses	173	12,117	1,281	16,827
	280	14,196	1,470	23,268

¹ The callable and puttable bonds were repaid on 1 October 2008 using proceeds from the disposal of the Group's Brazilian operations.

7. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the earnings / (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, excluding shares held by the Employee Benefit Trust.

	Three months ended 30 September 2009 \$'000	Three months ended 30 September 2008 \$'000	Nine months ended 30 September 2009 \$'000	Nine months ended 30 September 2008 \$'000
Loss from continuing operations attributable to equity holders of the Company	(6,873)	(1,328)	(23,472)	(14,370)
Profit from discontinued operations attributable to equity holders of the Company	-	667,588	-	669,091
	(6,873)	666,260	(23,472)	654,721
Weighted average number of ordinary shares in issue	102,922,970	103,380,388	104,049,916	101,347,392

The weighted average number of shares increased in Q3 2008 due to the exercise of warrants. The decrease in the weighted average number of shares during Q3 2009 is a result of the Employee Benefit Trust acquiring more shares throughout the period.

(b) Diluted

The outstanding options, warrants and LTIP's at 30 September 2009 and 2008 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share are the same for the current and prior period.

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8. Discontinued operations

On 19 August 2008, the Group completed the sale of its Brazilian operations to ArcelorMittal. Details of this transaction can be found in the Group's annual report for the year ending 31 December 2008.

The results of the discontinued operations included in the consolidated income statement are set out below.

	Three months ended 30 September 2009 \$'000	Three months ended 30 September 2008 \$'000	Nine months Ended 30 September 2009 \$'000	Nine months Ended 30 September 2008 \$'000
Revenue	-	1,939	-	9,462
Cost of sales	-	(1,117)	-	(4,298)
Gross profit	-	822	-	5,164
Sales and distribution expenses	-	(16)	-	(61)
Administrative expenses	-	(421)	-	(3,074)
Profit from operations	-	382	-	2,029
Finance income	-	4,629	-	6,797
Finance costs	-	(175)	-	(1,060)
Profit before taxation	-	4,836	-	7,766
Taxation	-	(1,442)	-	(2,869)
Profit from discontinued operations	-	3,394	-	4,897
Attributable to: Equity holders of parent	-	3,394	-	4,897

9. Investment by London Mining plc in the CGMR BVI joint venture

On 23 April 2009, the Company completed a joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin) in relation to a 50:50 joint venture company, China Global Mining Resources (BVI) Limited (CGMR BVI). Under the terms of the agreement, the Company subscribed USD 38.7 million for 100 A Shares in CGMR BVI and made a direct loan to Wits Basin for USD 5.75 million, making a total initial investment of USD 44.5 million.

As part of the joint venture agreement, the cash received from London Mining of USD 38.7 million was passed by CGMR BVI to its wholly owned subsidiary China Global Mining Resources Limited (CGMR HK), a Hong Kong entity. CGMR HK then completed the acquisition of two Chinese companies: Xiaonanshan Mining Co Limited (XNS) and Nanjing Sudan Mining Co Limited (Sudan).

This note is set out in two parts. The first summarises the acquisition of XNS and Sudan from the perspective of CGMR BVI, whilst the second part summarises how London Mining plc has accounted for this transaction at a consolidated level.

9. Investment by London Mining plc in the CGMR BVI joint venture (continued)

Acquisition of XNS and Sudan by CGMR BVI

Under the terms of the acquisition, the sellers, Mr Lu Benzhaio and Ms Lu Tinglan, receive consideration of approximately USD 42.25 million in cash (subject to post closing adjustments) in return for the sale of 100% of the equity of XNS and Sudan. Of this consideration, USD 24.77 million has been paid and USD 17.48 million is deferred. Mr Lu Benzhaio has been paid an additional USD 10.21 million by CGMR BVI which is included in the cost of acquisition. He will also receive up to USD 38.64 million under a consulting agreement with CGMR BVI, payable subject to both continuing employment and available cash of CGMR BVI, which will largely flow from the operations of the acquired entities. Hence this amount has been excluded from the cost of acquisition. Under the joint venture arrangements, London Mining will receive priority dividends from CGMR BVI until its USD 44.5 million initial investment is repaid.

CGMR HK has also been granted the right to acquire a further iron ore mining company, Maanshan Zhaoyuan Mining Co Ltd (Matang), which is owned by the sellers of XNS and Sudan.

Under the terms of the XNS and Sudan acquisitions, XNS and Sudan were acquired liability free, and in accordance with this, a cash amount of USD 3.9 million has been held in escrow to be recovered from the sellers for any pre-acquisition liabilities identified post completion.

From the perspective of CGMR BVI, the total cost of the acquisition was USD 58.6 million after taking into consideration directly related transaction costs, management's best estimate of completion adjustments and certain liabilities assumed from the other joint venture partner.

Accounting for CGMR BVI by London Mining

The Company has proportionally consolidated 50% of CGMR BVI from 23 April 2009. For accounting purposes the USD 38.7 million investment in CGMR BVI is treated as debt due from the joint venture of USD 34.9 million (after discounting for the timings of the anticipated cash inflows) and an equity contribution to the joint venture of USD 3.8 million (in exchange for the Group's 50% interest). The Group's consolidated balance sheet at 30 September 2009 shows:

- USD 5.75 million non-current 'loan to joint venture partner' representing the interest-bearing loan to Wits Basin;
- USD 17.71 million net non-current 'loan to joint venture' representing the joint venture partner's 50% share of the USD 35.42 million liability in CGMR BVI; and
- USD 3.0 million management fee receivable into the Group from the joint venture
- USD 3.7 million of net assets representing the Group's 50% share of the provisional fair value of the 4 individual gross assets and liabilities of the joint venture. Further details of the acquisition position are provided below:

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9. Investment by London Mining plc in the CGMR BVI joint venture (continued)

The provisional fair value of the net assets of CGMR BVI at the date of acquisition and the related net cash outflow are shown below. The fair values presented are provisional and will be finalised by 23 April 2010 as permitted by International Financial Reporting Standards:

	Book value of assets acquired by CGMR BVI 100%	Provisional fair value adjustment and acquisition entries \$'000	Provisional CGMR BVI fair value 100% \$'000	Provisional CGMR BVI fair value 50% \$'000	London Mining Fair value adjustment \$'000	London Mining Total 50% share \$'000
Net assets acquired						
Mineral resources	-	64,722	64,722	32,361	5,008	37,369
Mining rights	2,935	-	2,935	1,468	-	1,468
Tangible assets	7,605	-	7,605	3,802	-	3,802
Other non-current assets	917	-	917	458	-	458
Current assets	568	-	568	285	-	285
Completion balance sheet adjustments	-	6,021	6,021	3,011	-	3,011
Loan due to London Mining plc ⁽¹⁾	-	(34,971)	(34,971)	(17,486)	-	(17,486)
Deferred transaction costs payable by joint venture	-	(3,088)	(3,088)	(1,544)	-	(1,544)
Wits Basin liabilities assumed by CGMR BVI	-	(4,244)	(4,244)	(2,122)	-	(2,122)
Transaction costs recoverable from joint venture	-	(1,600)	(1,600)	(800)	-	(800)
Deferred consideration to vendor ⁽²⁾	-	(16,953)	(16,953)	(8,477)	-	(8,477)
Current liabilities	(5,540)	-	(5,540)	(2,770)	-	(2,770)
Deferred tax payable	(192)	(16,180)	(16,372)	(8,186)	(1,252)	(9,438)
Net assets acquired	6,293	(6,293)	-	-	3,756	3,756
Satisfied by:						
Equity contribution by London Mining plc						3,756

(1) As there is a contractual obligation for London Mining to receive an amount equal to its initial investment in the CGMR BVI as priority dividends, the cash paid by London Mining on the acquisition of its China investment is accounted for as a debtor due from the joint venture and not a cost of investment. This loan is interest free and as is expected to be repaid from available profits within three years. It is therefore classified as non-current and has been discounted by applying the ten year USA bond rate of 3.125%.

(2) The deferred consideration shown above is, at present, due for immediate payment and therefore has been included within current liabilities in the Group's balance sheet. However an extension to the term of the liability is expected to be agreed in the near future and its provisional fair value therefore reflects the net present value of the anticipated cash outflows under the terms of the extension. Its carrying value at 30 September 2009, after incorporating an unwinding of the discount factor for the period since acquisition is USD 8.6 million.

The provisional fair value adjustments reflect (i) the valuation of mineral resources purchased, grossed up for the 25% deferred tax liability, and (ii) the discount to fair value of any non-interest bearing long term liabilities or assets. The discount is unwound until the expected repayment date through net finance income.

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9. Investment by London Mining plc in the CGMR BVI joint venture (continued)

The results for the nine months to 30 September 2009 include:

Income statement	Share of joint venture ⁽¹⁾ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	5,933	-	5,933
Cost of sales ⁽²⁾	(3,610)	(106)	(3,716)
Administrative expenses	(791)	-	(791)
Profit from operations, before London Mining management fee	1,532	(106)	1,426
London Mining management fee	(1,484)	2,968	1,484
Profit from operations	48	2,862	2,910
Net finance income	(411)	475	64
Profit before taxation	(363)	3,337	2,974
Taxation	(45)	26	(19)
Profit since acquisition	(408)	3,363	2,955

⁽¹⁾ Group's 50% share since acquisition.

The results for the three months to 30 September 2009 include:

Income statement	Share of joint venture ⁽¹⁾ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	2,949	-	2,949
Cost of sales ⁽²⁾	(1,676)	(58)	(1,734)
Administrative expenses	(636)	-	(636)
Profit from operations, before London Mining management fee	637	(58)	579
London Mining management fee	(693)	1,386	693
Profit from operations	(56)	1,328	1,272
Net finance income	(235)	274	39
Profit before taxation	(291)	1,602	1,311
Taxation	(14)	14	-
Profit	(305)	1,616	1,311

⁽²⁾ Includes USD 1,178,000 and USD 625,000 depreciation for the nine months and three months to 30 September 2009 respectively.

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10. Notes to the cash flow statement

	Nine months ended 30 September 2009 \$'000	Nine months ended 30 September 2008 \$'000
Note		
Reconciliation of loss for the period to cash outflows from operating activities		
Profit / (loss) for the period	(23,472)	654,721
Adjusted for:		
Profit for the period - discontinued operations	-	(669,091)
Share of results from associates	135	81
Impairment of investments in associates	5 6,000	-
Depreciation	1,539	389
Finance income	(2,061)	(23,793)
Finance costs	1,470	23,268
Share-based payments expense	2,907	7,181
Tax expense	19	-
	(13,463)	(7,244)
Increase in current receivables	(4,125)	(395)
Increase in inventories	(231)	-
Increase / (decrease) in trade and other payables	3,885	(2,124)
Cash used by operations	(13,934)	(9,763)

11. Related party transactions

The Group has a related party relationship with its subsidiaries, associates and joint venture entities. Transactions between the parent company and its subsidiaries are eliminated on consolidation and are not included in this note.

During the nine months to 30 September 2009, a management fee of USD 3.0 million (2008: nil) of which the Group's share is USD 1.5 million was accrued from CGMR BVI to London Mining. At 30 September 2009, London Mining had advanced an amount of USD 38.7 million to CGMR BVI, which will be recovered via priority dividends from available cash of the operations. The Group's share of this balance, which, for reasons outlined in note 9, is recorded on consolidation as a loan at its estimated fair value, of USD 17.7 million. London Mining has also recognised an amount due of USD 1.3 million which relates to consultancy costs and legal fees recoverable from the joint venture.

The Group continues to hold a 20% investment in International Coal Company Limited ("ICC"). G Hossie, the Managing Director of London Mining plc has a beneficial interest of 12% in ICC. As a consequence of this interest, Mr Hossie does not represent London Mining on the ICC board and does not participate in any decisions of the London Mining board in relation to ICC.

At 30 September 2009 the directors of the Group, their related parties and entities in which they have a beneficial interest, controlled 3.9% (31 December 2008: 15.9%) of the ordinary shares of the Company.

12. Contingent liabilities

(i) XNS and Sudan

As at 30 September 2009, the seller of XNS and Sudan has an entitlement to receive a further USD 38.6 million under consulting agreement payable subject to continuing employment and available cash from the operations of the acquired entities.

(ii) Substantial shareholding exemption (SSE)

Under the terms of the SSE, which granted the disposal of the Group's Brazilian operations tax free status, London Mining is required to reinvest a significant proportion of the proceeds into qualifying trading activities. The Group remains committed to delivering its approved strategy and believes the SSE clearance is still effective.

(iii) Brazil warranty disclosures

As part of the disposal of the Brazilian operations, the Company granted certain warranties and indemnities to the purchaser, ArcelorMittal. Having taken appropriate legal advice, the Group believes the likelihood of a material liability arising is remote.

13. Capital commitments

The Group has a capital commitment for the construction of a road in Sierra Leone. At 30 September 2009, USD 2.6 million had been committed, representing progress payments due before 30 April 2010.

14. Events after the balance sheet date

(i) DMC (South Africa)

Non-current assets include a USD 18.5 million convertible loan to DMC Energy, which was due to convert to equity on 31 July 2009 subject to DMC receiving various regulatory approvals by that date. [The approvals have not been received as of the date of this report and London Mining is currently in discussions with DMC to reach an agreement on how this loan should convert into DMC equity. As it is still the intention to convert the loan into equity, the convertible loan continues to be disclosed as "non-current" at the period end. London Mining has no obligation to commit further funds to the DMC Group.]

(ii) Placement of existing ordinary shares to trading on AIM

On the 6 November 2009 the Company received admission for the placing of existing ordinary shares ("Ordinary Shares") by its UK brokers, Liberum Capital Limited and GMP Securities Europe LLP, on behalf of long term shareholders, to trading on London's AIM market ("AIM"). The Ordinary Shares have been placed with UK based institutions who will be able to trade through AIM (under the ticker LOND.L).

Passport Global Master Fund SPC Ltd and Passport Special Opportunities Master Fund, LP (together, "Passport"), Caspian Investments (BVI) Limited, Benbrack Charkit Limited and Naturaliste Holdings Pty Ltd sold a total of 37,239,225 Ordinary Shares pursuant to the placing, at GBP1.924 (NOK18) per Ordinary Share. The Company did not receive any proceeds from the placing. As announced on 16 October 2009 the purpose of the placing of these Ordinary Shares is to increase the free float and provide an appropriate level of liquidity in the London market.

Immediately following Admission, Caspian Investments (BVI) Limited, Benbrack Charkit Limited and Naturaliste Holdings Pty Ltd owned 18.32%, 4.56% and 1.19% of the Ordinary Shares respectively. The selling shareholders (other than Passport, which will not hold any Ordinary Shares following Admission) have agreed to voluntary lock-ins over their remaining holdings in the Company for 6 months (subject to certain carve-outs). For a further period of 180 days after the expiry of this period, the selling shareholders (other than Passport) have agreed to a customary orderly market arrangement in respect of their remaining holdings.

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15. Composition of the Group

	Country of incorporation	Principal activity	Ownership interest	
			30 June 2009 %	31 December 2008 %
Subsidiaries:				
London Mining Company Limited	Sierra Leone	Mining	100	100
London Mining Logistics Company Limited	Sierra Leone	Dormant	100	100
Anglo Mexican Mining Ltd	British Virgin Islands	Investment holding company	55	55
Campania Minera Suizo-Mexicana, SA de CV Ltd	Mexico	Mining	54	54
MIL Participacoes Societarias Ltda	Brazil	Administrative company	100	100
Rannerdale Limited	Isle of Man	Investment holding company	100	100
Torbanite One Limited	Isle of Man	Investment holding company	100	100
London Mining Greenland A/S	Greenland	Mining	100	100
Associates:				
DMC Coal Mining (Pty) Ltd	South Africa	Mining	39.3	39.3
International Coal Company Ltd	Cayman Islands	Mining	20.0	20.0
Joint Ventures:				
China Global Mining Resources (BVI) Limited	British Virgin Islands	Investment holding company	50	-
China Global Mining Resources Limited	Hong Kong	Investment holding company	50	-
Xiaonanshan Mining Co Limited	People's Republic of China	Mining	50	-
Nanjing Sudan Mining Co Limited	People's Republic of China	Mining	50	-
Saudi London Iron Limited	Saudi Arabia	Mining	50	-