

COMPANY REGISTRATION NUMBER 05424040

LONDON MINING PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the period from 14 April 2005 to 31 December 2005

London Mining Plc

Annual report and financial statements

For the period ended 31 December 2005

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London Mining Plc

Officers and Professional Advisors

For the period ended 31 December 2005

Directors	CR Brown DG Hossie CJ Knight HK Schönwandt
Company secretary	Westco Nominees Limited
Auditors	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL
Registered office	145 – 157 St John Street London EC1V 4PY
Registered number	05424040

London Mining Plc

The Directors' Report

For the period ended 31 December 2005

The directors present their report and the audited financial statements of the Group and Company for the period ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Group and Company during the period was mineral exploration and evaluation of potential mining operations.

The Company was formed on 14 April 2005 and these are the first period financial statements for the Company.

BUSINESS DEVELOPMENT

The Company obtained an option over Hammersmyth Management Ltd (a Canadian registered company) in April 2005, which in turn owned 100% of the Isua magnetite iron ore project in Greenland. The option was exercised when RAB Special Situations (Master) Fund Limited invested £1 million into the Company during October 2005. The Company commissioned a geological resources report, conducted several field visits and organised a 47t bulk metallurgical sample of the Isua deposit.

In December 2005, the Company signed an option agreement with Tecsbaco International Incorporated Company Limited (a company registered in Sierra Leone), which in turn owned the Marampa mining licence in Sierra Leone.

FUTURE DEVELOPMENTS

The 47t metallurgical sample from Greenland was sent to Germany for metallurgical testing in January 2006 and the Isua licence was transferred from Hammersmyth Management Ltd to the Company on 10 May 2006.

Various due diligence reports were commissioned on the Marampa mining licence. The company signed an option agreement to acquire an operating iron ore mine in Brazil in May 2006. In June 2006, the Company engaged Westhouse to act as its broker and nominated advisor for a listing on the Alternative Investment Market of the London Stock Exchange. On 22 June 2006, the Company signed a Memorandum of Understanding with Shandong Yuansheng International Trading Co. Ltd to issue 22.5 million shares in the Company for £45 million prior to an IPO.

RISK MANAGEMENT

The Company's principal financial instruments comprise bank balances, and trade creditors. The main purpose of these instruments is to raise funds and to finance the company's operations.

Due to the nature of the financial instruments used by the Company there is no exposure to price risk. The Company's approach to managing the risks applicable to the financial instruments concerned is shown below:

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

London Mining Plc

The Director's Report (continued)

For the period ended 31 December 2005

RESULTS AND DIVIDENDS

The results for the period and the Group's and Company's financial position at the end of the period are shown in these financial statements. The Group's loss after taxation for the period amounted to £1,109,201.

The directors do not recommend the payment of a dividend.

THE DIRECTORS AND THEIR INTERESTS

The directors who served during the period together with their beneficial interests in the shares of the Company were as follows:

	Ordinary Shares of £0.002 each	
	At	At
	31 December 2005	date of appointment
Mr CR Brown	1,500,000	10
Mr DG Hossie	500,000	10
Mr CJ Knight	100,000	-

Mr CR Brown was appointed as a director on 14 April 2005.

Mr DG Hossie was appointed as a director on 14 April 2005.

Mr CJ Knight was appointed as chairman on 14 June 2005.

Mr HK Schönwandt was appointed as a director on 4 January 2006.

London Mining Plc

The Director's Report (continued)

For the period ended 31 December 2005

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 12 to 14, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

During the period BDO Stoy Hayward LLP were appointed as first auditors. A resolution to re-appoint BDO Stoy Hayward LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
C/O Westbury Second Floor
145-157 St John Street
London
EC1V 4PY

Signed by order of the directors

C Brown
Director

Approved by the directors on

London Mining Plc

Independent Auditor's report to the shareholders of London Mining Plc

For the period ended 31 December 2005

TO THE SHAREHOLDERS OF LONDON MINING PLC

We have audited the Group and Company financial statements (the "financial statements") of London Mining Plc for the period ended 31 December 2005 which comprise; the Group income statement, the Group and Company balance sheets, the Group and Company cash flow statements, the Group and Company statements of change in shareholders' equity, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. Additionally, we report to you whether, the information given in the directors' report is consistent with those financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

London Mining Plc

Independent Auditor's report to the shareholders of London Mining Plc

For the period ended 31 December 2005

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985;
- the Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2005;
- the Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

BDO STOY HAYWARD LLP

Chartered Accountants
and Registered Auditors
London

London Mining Plc

Consolidated income statement

For the period ended 31 December 2005

	Note	2005 £
Revenue		-
Operational expenses		(89,628)
Impairment of investment	3	(847,048)
Gross loss		(936,676)
Administrative expenses		(175,550)
Operating loss	4	(1,112,226)
Finance income		3,135
Finance costs		(110)
Loss on ordinary activities before taxation		(1,109,201)
Tax on loss on ordinary activities		-
Loss for the financial period		(1,109,201)
Loss per share expressed in pence per share		
Basic	7	(3.64)
Diluted	7	(3.64)

All of the activities of the Group and Company are classified as continuing.

All recognised gains and losses in the current period are included in the consolidated income statement.

The notes on pages 12 to 25 form part of these financial statements.

London Mining Plc

Consolidated and company balance sheet

31 December 2005

		2005	
	Note	Group £	Company £
Assets			
Non-current assets			
Intangible assets	8	308,704	308,704
Property, plant & equipment	9	2,585	2,585
Total non-current assets		<u>311,289</u>	<u>311,289</u>
Current assets			
Receivables	12	75,107	75,107
Cash and cash equivalents		589,374	589,374
Total current assets		<u>664,481</u>	<u>664,481</u>
Total assets		<u>975,770</u>	<u>975,770</u>
Liabilities			
Current liabilities			
Payables	13	(184,771)	(184,771)
Total current liabilities		<u>(184,771)</u>	<u>(184,771)</u>
Total liabilities		<u>(184,771)</u>	<u>(184,771)</u>
Total net assets		<u>790,999</u>	<u>790,999</u>
Shareholders' equity			
Share capital	14	96,000	96,000
Share premium reserve	15	1,804,200	1,804,200
Retained earnings	16	(1,109,201)	(1,109,201)
Total equity	17	<u>790,999</u>	<u>790,999</u>

These financial statements were approved by the directors and are signed on their behalf by:

C Brown
Director
October 2006

The notes on pages 12 to 25 form part of these financial statements.

London Mining Plc

Consolidated and company cash flow statement

For the period ended 31 December 2005

		2005	
	Note	Group £	Company £
Cash flows from operating activities			
Net cash flow from operating activities	18	(155,030)	(155,030)
Interest received		3,135	3,135
Interest expense		(110)	(110)
Net cash from operating activities		<u>(152,005)</u>	<u>(152,005)</u>
Cash flow from investing activities			
Acquisitions of subsidiary, net of cash acquired		(14,048)	-
Purchase of trade investment		-	(14,048)
Payments to acquire intangible fixed assets		(308,704)	(308,704)
Purchase of property, plant and equipment		(3,069)	(3,069)
Net cash used in investing activities		<u>(325,821)</u>	<u>(325,821)</u>
Cash flows from financing activities			
Ordinary shares issued	18	1,067,200	1,067,200
Net cash used in financing activities		<u>1,067,200</u>	<u>1,067,200</u>
Net increase in cash and cash equivalents		589,374	589,374
Net funds at beginning of period		-	-
Net funds at end of period		<u><u>589,374</u></u>	<u><u>589,374</u></u>

The notes on pages 12 to 25 form part of these financial statements.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

1. Accounting policies

IAS 8 requires that management shall use its judgement in developing and applying accounting policies that result in information which is relevant to the economic decision-making needs of users; that are reliable, free from bias, prudent, complete and represent faithfully the financial position, financial performance and cash flows of the entity.

Basis of accounting

The financial statements for the period ended 31 December 2005 have been prepared on the basis of a going concern and in line with all IFRSs and interpretations adopted by the European Union and in accordance with applicable United Kingdom Law.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings, together with the Group's share of the net assets and results of associated undertakings. These are adjusted, where appropriate, to conform to Group accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the Group profit and loss account after or up to the date that control passes respectively. As a consolidated Group profit and loss account is published, a separate profit and loss account for the parent Company is omitted from the Group financial statements by virtue of section 230 of the Companies Act 1985.

Investments

Investments are shown at cost less provision for any impairment.

Amortisation of intangible fixed assets

Intangible assets consist of exploration licences and options, capitalised expenditure and website development costs, of which capitalised expenditure and website development costs have been internally generated.

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset. The following useful lives have been determined for the classes of intangible assets:

Licences & options:	useful life not determined until transfer to property, plant & equipment.
Capitalised costs:	useful life not determined until transfer to property, plant & equipment.
Website development:	3 to 5 years

Asset Impairments

Intangible and tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value, if higher. If an asset is impaired, a provision is made to reduce the carrying amount to its estimated recoverable amount.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

1. Accounting policies (continued)

Exploration and evaluation

The Company has taken early adoption of IFRS 6 'Exploration for and Evaluation of Mineral Resources', and therefore exploration and evaluation expenditure has been capitalised. This comprises:

- acquisition of rights to explore;
- topographical, geological, geochemical and geophysical studies;
- exploratory drilling;
- trenching;
- sampling; and
- activities in relation to evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Capitalisation of exploration expenditure commences on the acquisition of a beneficial interest or option in mineral rights.

The capitalised expenditure will be amortised over the commercial production life of a site on straight line or units of production basis. If a project does not prove to be viable all irrecoverable costs associated with the project are written off.

Depreciation of tangible assets

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, on a straight line basis over the useful economic life of that asset as follows:

Office Equipment - 3 Years

Operating lease agreements

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits on a straight line basis over the period of the lease.

Taxation

Tax charges are based on the result for the period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax. Deferred tax assets are, however, recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

1. Accounting policies (continued)

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit. Assets and liabilities of subsidiaries in foreign currencies are translated into GB Pounds at rates of exchange ruling at the end of the year.

Differences on exchange arising from the retranslation of the opening net investment in subsidiary companies are taken to reserves and reported in the statement of recognised income and expenditure. The exchange rate at 31 December 2005 for Canadian Dollars to GB Pounds was \$2.0052.

Financial instruments

The Company's financial instruments comprise bank balances, and various payables that arise directly from its operations. The main purpose of these instruments is to raise funds and to finance the Company's operations. These financial instruments are classified in accordance with the principles of IAS 39 as described below:

- Cash and cash equivalents: The Company holds bank deposit accounts. These accounts are held in the Company's name and meet the definition of cash and cash equivalents.
- Payables: Payables are stated at cost.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

2. Segmental reporting

Based on risks and returns the directors consider that the primary reporting format is by business segment. The directors consider that there is only one business segment being mining, extraction and production of iron ore. Therefore the disclosures for the primary segment have already been given in these financial statements.

The secondary reporting format is by geographical analysis. The operations are based in three main geographical areas. The UK is the home country of the parent company. The main operations in the principal territories are as follows:

UK.
North America.
Africa.

The analysis in the table below is based on the location of the capital expenditure.

Group	Revenue	Segmental Assets	Capital Expenditure
	2005	2005	2005
	£	£	£
UK	-	21,742	4,480
North America	-	184,539	198,587
Africa	-	122,754	122,754
Unallocated assets	-	646,735	-
	<u>-</u>	<u>975,770</u>	<u>325,821</u>

Company	Revenue	Segmental Assets	Capital Expenditure
	2005	2005	2005
	£	£	£
UK	-	21,742	4,480
North America	-	184,539	198,587
Africa	-	122,754	122,754
Unallocated assets	-	646,735	-
	<u>-</u>	<u>975,770</u>	<u>325,821</u>

3. Impairment of investment

On 18 October 2005 the Company acquired the entire Share Capital of Hammersmyth Management Limited for total consideration of £847,048. The directors were unable to allocate any value to the mining assets acquired and have accordingly written the value down to £nil. This impairment is shown as a separate line item on the income statement.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

4. Operating loss

Operating loss is stated after charging:

	2005
	£
Depreciation of owned fixed assets	484
Auditor's fees	10,000
Operating lease costs	10,405
Net loss on foreign currency translation	601
	<u>601</u>

5. Directors' emoluments

	2005
	£
Emoluments receivable	77,407
	<u>77,407</u>

Emoluments of highest paid director

	2005
	£
Emoluments receivable	47,500
	<u>47,500</u>

6. Taxation

Analysis of charge in period	2005
	£
Current tax	-
Taxation	<u>-</u>
	<u>-</u>
	2005
	£
Loss on activities before tax	(1,109,201)
Loss on ordinary activities multiplied by rate of corporation tax in UK of 19%	(210,748)
Expenses not deductible for taxation	161,195
Tax losses carried forward	49,553
Total taxation	<u>-</u>
	<u>-</u>

The Group has carried forward tax losses of approximately £250,000 which may be used to reduce tax payments in future years. No deferred tax asset has been recognised in relation to these losses as it is not considered probable that these assets will be utilised in the foreseeable future.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

7. Loss per share

Basic loss per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted loss per share, the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. During the period the Group has issued Warrants which represent dilutive potential ordinary shares. At 31 December 2005, the primary condition for conversion of the Warrants to Ordinary Shares had not been met and consequently the shares in question are excluded from the diluted EPS calculation.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	Earnings	Weighted average number of shares	2005
	£		Pence
Loss attributable to share holders	(1,109,201)		
Basic EPS	(1,109,201)	30,448,873	(3.64)
Effect of dilutive securities	-	-	
Diluted EPS			
Adjusted loss	<u>(1,109,201)</u>	<u>30,448,873</u>	<u>(3.64)</u>

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

8. Intangible fixed assets

Group

	£ Licences & options (a)	£ Capitalised costs (b)	£ Website development	£ Total
Cost				
Additions	122,754	184,539	1,411	308,704
At 31 December 2005	<u>122,754</u>	<u>184,539</u>	<u>1,411</u>	<u>308,704</u>
Amortisation				
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 December 2005	<u>122,754</u>	<u>184,539</u>	<u>1,411</u>	<u>308,704</u>

Company

	£ Licences & options (a)	£ Capitalised costs (b)	£ Website development	£ Total
Cost				
Additions	122,754	184,539	1,411	308,704
At 31 December 2005	<u>122,754</u>	<u>184,539</u>	<u>1,411</u>	<u>308,704</u>
Amortisation				
At 31 December 2005	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net book value				
At 31 December 2005	<u>122,754</u>	<u>184,539</u>	<u>1,411</u>	<u>308,704</u>

All of the net book value is related to intangible assets with finite lives.

There are no intangible assets pledged as security, or held under restricted title.

(a) Held under licences & options is £122,754 in relation to an option to purchase acquired over the Marampa Iron Ore mines in Sierra Leone.

(b) Capitalised costs represents exploration and evaluation expenditure capitalised in line with IFRS 6.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

9. Property, plant & equipment

Group	Office Equipment
	£
Cost	
Additions	3,069
At 31 December 2005	<u>3,069</u>
Depreciation	
Charge for the period	484
At 31 December 2005	<u>484</u>
Net book value	
At 31 December 2005	<u>2,585</u>
Company	Office Equipment
	£
Cost	
Additions	3,069
At 31 December 2005	<u>3,069</u>
Depreciation	
Charge for the period	484
At 31 December 2005	<u>484</u>
Net book value	
At 31 December 2005	<u>2,585</u>

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

10. Investments

On 18 October 2005 the Company acquired Hammersmyth Management Limited for a total consideration of:

Cash	£ 14,048
Shares issued (10,000,000 shares @ 8.33p)	833,000
	<u>847,048</u>

In calculating the goodwill on acquisition, the fair value of the net assets acquired have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value	Fair value	Fair value to
	£	adjustment	the Group
	£	£	£
Intangible assets	27,773	(27,773)	-
Other current assets	723	(723)	-
Current liabilities	(17,150)	17,150	-
	<u>11,346</u>	<u>(11,346)</u>	-
Consideration			847,048
Net assets acquired			-
Goodwill arising on acquisition			847,048
Impairment			<u>(847,048)</u>
			<u>-</u>

The directors were unable to allocate any value to the net assets acquired and have accordingly written the value down to nil.

The cashflow arising from acquisition comprised:

Cash consideration	£ 14,048
Cash acquired	-
	<u>14,048</u>

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

11. Company Investments

The company has an investment in the following wholly owned subsidiary undertaking:

Entity name	Ordinary shares held	Country of incorporation and operation	Principal activity
Hammersmyth Management Ltd	100%	Canada	Non-trading

12. Receivables

	Group £	2005 Company £
Directors' current accounts	5,337	5,337
Prepayments	42,524	42,524
Other receivables	27,246	27,246
	<u>75,107</u>	<u>75,107</u>

The directors' current accounts represent amounts withdrawn from the company by directors. The largest amount outstanding during the period was £5,337, and by the date of signing the balance sheet date, all amounts had been repaid.

13. Payables

	Group £	2005 Company £
Trade payables	164,587	164,587
Other taxation and social security	5,170	5,170
Accruals	15,014	15,014
	<u>184,771</u>	<u>184,771</u>

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

14. Share capital

Authorised share capital:

	2005
	£
200,000,000 Ordinary Shares of £0.002 each	<u>400,000</u>

Allotted, called up and fully paid:

	No	£
Ordinary shares - £0.002	<u>48,000,000</u>	<u>96,000</u>

The Ordinary Shares carry one vote per share. They entitle the holder to an equal share in the distribution of the profits or assets of the Company by dividend and with all other holders of Ordinary Shares, in proportion to the holders aggregate holding of all Ordinary Shares.

The movement in share capital in the period were as follows:

Transaction	Number of shares issued	Issue price Pence	Consideration received £
On incorporation	2	1	0
Issued for cash under placing	25,599,960	1	25,600
Share consolidation (2 for 1)	(12,799,980)	-	-
Issued for cash under placing	12,800,000	2	25,600
Share split	18	-	-
Issued for cash under placing	400,000	4	16,000
Issued for cash under placing	12,000,000	8.33	1,000,000
Issued for acquisition	10,000,000	8.33	833,000
	<u>48,000,000</u>		<u>1,900,200</u>

Comprising:

	£
Share Capital	96,000
Share Premium	1,804,200
	<u>1,900,200</u>

On 11 January 2006, the Company issued 1 million ordinary shares for 20 pence each raising £200,000 and in June 2006, the Company issued 1 million ordinary shares for 50 pence each raising £500,000.

On 15 March 2006, the Company issued 3 million warrants expiring 31 March 2011, each for 1 ordinary share at an exercise price of 20 pence each. The warrants can be redeemed at any time following the admission of the Company's Ordinary Shares to trading on the AIM market of the London Stock Exchange up to their expiry date.

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

14. Share capital (continued)

Potential issue of shares

During the period the Company issued 1 million warrants expiring 4 October 2007, each warrant entitles the holder to 1 ordinary share at an exercise price of 8.5 pence each. The warrants can be redeemed at any time following the admission of the Company's Ordinary Shares to trading on the AIM market of the London Stock Exchange up to their expiry date.

15. Share premium reserve

	2005 £
Premium on shares issued in the year	1,804,200
Balance carried forward	<u>1,804,200</u>

16. Retained earnings

	2005 £
Group:	
Retained loss for the period	(1,109,201)
As at 31 December 2005	<u>(1,109,201)</u>

	2005 £
Company:	
Retained loss for the period	(1,109,201)
As at 31 December 2005	<u>(1,109,201)</u>

As permitted by section 230 (1) of the Companies Act 1985 a separate profit and loss account for the company has not been included in these financial statements. The company's loss after tax for the year was £1,109,201.

17. Reconciliation of movement in shareholders' funds

	2005 £
Loss for the financial period	(1,109,201)
New equity share capital subscribed	96,000
Premium on new share capital subscribed	1,804,200
Net addition to shareholders' funds	<u>790,999</u>
Opening shareholders' funds	-
Closing shareholders' funds	<u>790,999</u>

London Mining Plc

Notes to the financial statements

For the period ended 31 December 2005

18. Notes to the statement of cashflows

Reconciliation of operating loss to net cash outflow from operating activities

	Group 2005 £	Company 2005 £
Operating loss	(1,112,226)	(1,112,226)
Adjusted for:		
Depreciation	484	484
Increase in receivables	(75,107)	(75,107)
Increase in payables	184,771	184,771
Impairment of investment	847,048	847,048
Cash generated from operating activities	<u>(155,030)</u>	<u>(155,030)</u>

Financing

	Group 2005 £	Company 2005 £
Issue of equity share capital	76,000	76,000
Share premium on issue of equity share capital	991,200	991,200
Net cash inflow from financing	<u>1,067,200</u>	<u>1,067,200</u>

Analysis of changes in net funds

Group	At 14 Apr 2005 £	Cash flows £	At 31 Dec 2005 £
Net cash:			
Cash in hand and at bank	–	589,374	589,374
Net funds	<u>–</u>	<u>589,374</u>	<u>589,374</u>
Company	At 14 Apr 2005 £	Cash flows £	At 31 Dec 2005 £
Net cash:			
Cash in hand and at bank	–	589,374	589,374
Net funds	<u>–</u>	<u>589,374</u>	<u>589,374</u>

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19. Share based payment transactions

During the period the Company settled an Australian Dollar denominated supplier invoice of £14,699 on a part cash, part equity basis. The supplier was paid £6,384 cash, and 4,000,000 shares of £0.002 were issued to the supplier in settlement of the invoice giving rise to £315 foreign exchange gain. The value of the shares were adjudged to be £0.002 in line with other shares issued at that time.

20. Related party transactions

Mr G Hossie is a Director of Venture Development Partners Limited which during the year invoiced London Mining £47,500 in relation to management consultancy services provided. As at 31 December 2005 £4,407 remained outstanding.

21. Post balance sheet events

On 11 January 2006, the Company issued 1 million ordinary shares for 20 pence each raising £200,000 and in June 2006, the Company issued 1 million ordinary shares for 50 pence each raising £500,000. In August 2006, the Company issued 732,300 ordinary shares for £1 each raising £732,300.

On 15 March 2006, the Company issued 3 million warrants expiring 31 March 2011, each for 1 ordinary share at an exercise price of 20 pence each. The warrants can be redeemed at any time following the admission of the Company's Ordinary Shares to trading on the AIM market of the London Stock Exchange up to their expiry date. Mr C Knight, a director of the Company was granted 250,000 of these warrants, and Mr H Schönwandt, also a director of the Company was granted 150,000 of these warrants.