

# LONDON MINING PLC

London Mining Plc

20 August 2008

**London Mining Plc**  
**("London Mining" or the "Company")**

## **SALE OF BRAZILIAN OPERATIONS AND RETURN OF CAPITAL**

**London, 20<sup>th</sup> August 2008.** London Mining is pleased to announce that it has completed the sale of its Brazilian operations to ArcelorMittal (the "Purchaser") for a total cash consideration of US\$809.9 million (the "Transaction"). Subsequent to the Transaction, London Mining intends to return approximately US\$427 million of the proceeds to shareholders. The Transaction marks the conclusion of the Brazilian strategic review which the Company commenced in April 2008.

### **Conclusions of Brazilian strategic review**

The Board of London Mining initiated the strategic review following the receipt of expressions of interest in the Brazilian assets and in response to the high levels of strategic interest in Brazilian iron ore assets. The objective of the review was to determine how best to maximise shareholder value in respect of these assets, principally through an assessment of the relative merits of a sale of all or part of London Mining's Brazilian operations versus the retention of these operations to full production. The Company appointed UBS Investment Bank to conduct the review in conjunction with its existing financial adviser, Kaupthing Singer & Friedlander.

Following a competitive auction process, the Board of London Mining concluded that the Transaction would allow the Company to crystallise the material value it has created since it acquired the Brazilian operations in May 2007 and to benefit from the premium prices currently being offered for attractive iron ore assets in Brazil. The Board is confident that the shareholder value delivered through the Transaction exceeds that which could have been delivered by retaining the asset to full production or selling only part of the share capital. In reaching this decision, the Board took into account the significant resource updates announced in May and July 2008 and the current market capitalisation of the Company.

Further details of the Transaction will be contained in an information document which will be published by London Mining in due course.

### **Use of proceeds**

Having considered the post-transaction capital structure of the London Mining group, the availability of profitable investment opportunities in the near/medium-term and the views of its shareholders, the Board intends to return approximately US\$427 million of the proceeds from the sale to shareholders, representing approximately US\$3.73 per share on a fully diluted basis (approximately NOK 20.22 or GBP 2.00 per share based on current exchange rates). The timing and mechanism of the return of these funds to shareholders will be announced in due course. Excluding the impact of the Transaction, London Mining's current cash balance of US\$31.6 million would increase by approximately US\$35.4 million if all of the warrants and options currently outstanding were to be exercised.

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The Company expects to apply approximately US\$105 million of the net proceeds as follows:

- Redemption of outstanding bonds issued by London Mining on 24 April 2007: NOK 414.6 million (approximately US\$76.6 million)
- Estimated transaction costs of approximately US\$25 million
- Payment of performance and production bonuses to all of the Management Team of the Brazilian operations: US\$3.95 million (See the Appendix to this announcement for details)

The remaining net proceeds will be applied to the development of the Company's existing projects and to the acquisition and development of further iron and coal opportunities, including:

- Working capital for the Wadi Sawawin, Isua and Marampa iron ore projects
- Potential funding for the balance of the conditional DMC Energy (Pty) Ltd acquisition (see the Company's announcement of 8 August 2008): Up to US\$99 million
- A project loan to the El Artillero iron ore project in Mexico (see the Company's announcement of 25 June 2008): Up to US\$7 million
- A possible operating iron ore mine, subject to final due diligence: Approximately US\$46 million
- A possible coal acquisition in South America currently under consideration: Up to US\$75 million

## Future plans

Since acquiring the Brazilian operations in May 2007 for US\$89 million, London Mining has realised a substantial return through applying management expertise and capital investment to deliver a significant increase to the resource base (from 268 million tonnes at 47.2% Fe to 1,059 million tonnes at 37.96% Fe) and the development of modern production facilities to support a scalable production capacity. The Company will remain focussed on delivering value for its shareholders by developing mines around the world for the steel industry. In particular, it will:

- Complete a Definitive Feasibility Study on a 5mtpa concentration and pelletising facility at the Wadi Sawawin project in Saudi Arabia, as well as a major exploration programme on the Isua project in Greenland. The Company expects to make further announcements over the next 12 months on how these major projects will be integrated and how the capital costs will be funded.
- Begin production of 3mtpa of iron ore at the Company's Marampa tailings operation in Sierra Leone once Government approvals have been granted to use the port and railway and construction and repairs of the mine, rail and port have been completed.
- Develop the Company's El Artillero iron ore mine in Mexico into production.
- Complete the assessment of the new iron ore investment opportunity referred to above, with a view to establishing a balanced portfolio of assets with cash flow being generated over time to support the group's development activities.

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- Continue to diversify London Mining's operations into coal. The Company has already entered into a conditional agreement to subscribe for up to 50.5% of the shares of DMC Energy (Pty) Ltd, with coal assets in Africa, and London Mining's new coal division is actively reviewing other potential acquisitions.

*Christopher Brown, Managing Director of London Mining, said "This is an extremely exciting time for the Company as we have delivered on our promise to provide value for our shareholders. Not only are the proceeds received from the sale of the Brazilian operations well in excess of London Mining's current market capitalisation, our planned dividend is well over double our capital raisings in the equity markets so far, all within a year of our listing on the Axxess Market of the Oslo Børs. We trust that investors will start to fully recognise our other iron ore and coal assets, as well as the strength of our management and technical teams. We are a fast growing diversified mining house focussed on the carbon steel industry."*

The Appendix to this announcement includes further details of the Brazilian operations that are being sold to the Purchaser, an overview of London Mining's remaining assets and details of certain bonus payments to be made.

## **For further information, please contact:**

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## Notes to Editors:

London Mining is incorporated and registered in the UK, and is developing mines to supply the global steel industry. Following the sale of its Brazilian operations, the Company will have operational mining, exploration and development projects located in Sierra Leone, Saudi Arabia, Greenland, Mexico and South Africa, and total iron ore resources of 1.3 billion tonnes containing an estimated 459 million tonnes of iron. In 2007, London Mining raised over US\$185 million to advance iron ore production from its projects, and listed on the Oslo Axess, a marketplace regulated by the Oslo Stock Exchange on 9 October 2007. London Mining is trading under the Reuters symbol LOND.OL and Bloomberg symbol LOND:NO.

Please also visit our website [www.londonmining.co.uk](http://www.londonmining.co.uk) for more information about London Mining and its operations.

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## APPENDIX

### **Overview of London Mining's assets (post sale of Brazilian operations)**

Following the sale of London Mining's Brazilian operations, the group's portfolio of assets will be as follows:

#### Iron Division

- Wadi Sawawin iron ore project in Saudi Arabia (50% owned): In January 2008, London Mining announced that it was forming a new joint venture company, Saudi London Iron Ltd, with Saudi-based National Mining Company, to develop the Wadi Sawawin iron ore project near the West Coast of Saudi Arabia. National Mining is the holder of certain rights to prospective iron ore producing properties in Saudi Arabia together referred to as the Wadi Sawawin licenses. The Wadi Sawawin project will require significant capital expenditure, the majority of which is expected to be sourced in Saudi Arabia and through off-take partnerships. A Saudi Arabia and Greenland co-development assessment is near completion.
- Isua deposit in Greenland (100% owned): A major iron ore deposit on the "warm" side of Greenland, with open pit and underground potential to produce pellet feed from 2011. The Isua project is a longer term development project, which requires significant capital expenditure and as such may be developed together with a joint venture partner.
- Marampa Iron Ore Mine in Sierra Leone (100% owned): A past producing iron ore mine where an infrastructure program and port negotiations are in progress.
- El Artillero deposit in Mexico (52% owned): An iron exploration property located in Western Mexico. London Mining owns 53% of Anglo Mexican Mining Ltd, which in turn controls 98% of the property. Production of iron ore is expected to commence in early 2009, subject to receipt of the necessary mining approvals from the Federal Mexican Environmental Protection Authorities.

#### Coal Division

- DMC Energy (Pty) Ltd ("DMC Energy"): London Mining has entered into a conditional agreement to subscribe for up to 50.5% of the shares of DMC Energy for up to US\$120 million in staged payments. Following completion of an internal reorganisation by DMC Energy's parent company, DMC Energy will own the following interests in South African mining assets:
  - 70% of Ashante Mineral Resource (Pty) Ltd which in turn holds the Rietkuil coal project: An inferred In-situ Resource of up to 288 million tonnes of coal; and
  - 30.35% of DMC Coal Mining (Pty) Ltd (to increase to 69.65% following completion of London Mining investment), which in turn holds the Limpopo coal project ("Limpopo") and Pixley Ka Seme ("PKS") coal and torbanite project: The potential

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resource of the Limpopo project is 426 million tonnes in situ resource of metallurgical and thermal coal. The PKS project includes a coal deposit in excess of 234 million tonnes in situ as well as 73 million tonnes torbanite (high yielding oil shale) with estimated yield of 1 barrel of synthetic crude per tonne of shale. Coal deposits include anthracite, steam coals and metallurgical coal.

## **Overview of Brazilian operations**

### Operations

London Mining Brasil Mineração S.A. ("LMB") holds all of London Mining's Brazilian operations, which consist of the Central (DNPM 13.845/67), Eastern (DNPM 830.316/79) and Western (DNPM 812.593/73) Claims, located in the state of Minas Gerais. As announced on 30 July 2008, Total Mineral Resources at the Company's Brazilian project stand at 1,059 million tonnes grading 37.96% Fe, with a Fe content of 402.6 million tonnes.

The mine is located 450 kilometres north of Rio de Janeiro in the Minas Gerais Province close to the town of Belo Horizonte, which is the third largest city in Brazil. At 31 December 2007, London Mining's Brazilian operations had 122 employees.

The mine is on the prominent ridge called the Serra Azul (Blue Mountain Range) which in turn makes up part of the Quadrilátero Ferrífero (Iron Quadrangle), a prolific iron ore producing district within Brazil. It has been in operation for 30 years and was privately held prior to its acquisition by London Mining in May 2007.

The current mining operation takes place at the Central concession. The Eastern concession, which is adjacent to the Central concession, can be included in the current mining operations. At the Western concession, located 2km to the West of the current operation, there is a resource that can be developed as a separate mining operation.

The previous owners of the mine only sold granulado, or lump ore, to the local pig iron producers. The remaining mined material had been stockpiled for thirty years, leaving an estimated resource as at May 2007 of 18 million tonnes of material that can be processed and sold to domestic and export markets. In addition there is an estimated 5 million tonnes of material in the tailings that may also be processed and sold.

The Brazilian team recently completed the construction of a sinter feed plant under budget and within 9 months. The plant's initial capacity of 2.2 million tonnes per annum is due to be increased to enable production of the name plate capacity of 3.2 million tonnes per annum of sinter feed for export or domestic sale by December 2008. The actual capacity of the plant could, however, be higher.

### LMB's management team

LMB's core management team (the "Management Team") consists of the following individuals:

- Luciano Ramos (CEO)

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- Luciano Tanure de Castro (Commercial and Technical Support Director)
- Leonardo Apparicio (Engineering and Construction Director)
- Rodrigo Magalhães (Corporate Support Director)
- Aparecido Giacometto (Environmental, Mineral Rights and Land Mgt. Manager)
- Sérgio Buarque (Operation Manager)
- Daniela Nogueira (Financial Controller)

Luciano Ramos will be staying with London Mining Plc following the sale of the Company's Brazilian operations.

In lieu of achievement milestones and in connection with the Transaction, London Mining has agreed to pay a bonus to each member of the Management Team. The bonus payments, which in aggregate amount to approximately R\$6.5 million (US\$3.95 million), will be funded out of the consideration for the Transaction.

London Mining has also agreed with Luciano Tanure de Castro, Leonardo Apparicio, Rodrigo Magalhães and Aparecido Giacometto that their existing options over shares in London Mining will vest immediately following completion of the Transaction.

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## Key figures of the Brazilian operations

	Year ended 31/12/05 (R\$)	Year ended 31/12/06 (R\$)	Year ended 31/12/07 (R\$)	Qtr ended 31/03/08 (R\$)
<b>Profit &amp; Loss Account</b>				
Turnover	24,310,818	21,743,742	24,982,826	6,625,680
Gross profit	10,440,735	6,862,957	14,181,552	3,552,483
Profit before tax	8,947,421	5,539,706	20,671,386	(1,205,765)
Profit after tax	7,668,729	4,717,482	19,524,824	(1,739,826)
<b>Balance Sheet</b>				
Cash and cash equivalents	9,299,288	10,795,715	9,995,940	4,450,527
Goodwill	-	-	166,290,447	160,489,966
Other assets	15,179,654	14,822,031	24,069,452	41,999,500
Borrowings (1)	(1,365,980)	(719,503)	(96,710,165)	(102,284,095)
Other liabilities	(3,984,957)	(14,239,782)	(7,877,325)	(11,283,805)
Net assets	19,128,005	10,658,461	95,768,349	93,372,093

1. Borrowings include net amounts owed to London Mining plc of R\$53,935,443 and R\$60,168,731 as at 31 December 2007 and 31 March 2008 respectively.

2. The financial information set out above for 2005, 2006 and 2007 has been extracted from the accounts of London Mining Brasil Mineração Ltda (formerly Minas Itatiaiuçu). The accounts for 2005 and 2006 were audited, whereas the BRGAAP version of the 2007 accounts was instead subject to a detailed review by the auditors as an interim step in the audit of the IFRS version of these accounts. From 2007, London Mining Brasil Mineração Ltda had two subsidiaries, London Mining Participações Ltda and Minas Itatiaiuçu Participações Ltda, which are included in the consolidated audited accounts from which the above 2007 data has been extracted. The financial information for the quarter ended 31 March 2008 has been extracted from the unaudited management accounts of London Mining Brasil Mineração S.A., the new name for the Brazilian operating entity following a restructuring of the Brazilian entities in January 2008. As part of the restructuring, London Mining Participações was merged with London Mining Brasil Mineração and hence no longer exists. MIL Participações is a dormant subsidiary. All amounts are stated in accordance with BR GAAP.