

# LONDON MINING PLC

## Chairman's report

Dear Shareholders

London Mining entered the 2009 financial year from a position of great strength. Firstly, in terms of its balance sheet, which provides the funding to deliver the Group's aggressive growth strategy despite uncertain market conditions. Secondly, from the proven expertise of its core management team to enable the delivery of this strategy.

We remain committed to creating significant value for our shareholders and have embarked on a focused investor relations strategy communicating near-term development milestones to trigger true value recognition of our assets, and to explain how we can as before deliver exceptional value for our shareholders.

As part of this strategy to deliver near-term growth, I am very pleased to announce the Group returns to production following the acquisition of an operating iron ore mine in the People's Republic of China. Our joint venture received business licenses and permits in March 2009, and the remaining closing conditions of the acquisitions were finalized on 23 April 2009. First revenue and earnings from this acquisition will therefore be reflected in the second quarter.

The Chinese acquisition is of great strategic importance as it gives us a unique vantage point to observe the supply/demand dynamics of the Chinese iron and steel markets and to build important strategic relations. Our joint venture is beginning to conduct a comprehensive audit of operations including safety, personnel, resources and marketing in order to optimize and expand the current operations. The execution of our expansion plans, beyond the current capacity of 0.4 mtpa, will be well placed to take advantage of the expected recovery in bulk commodity prices, which remains underpinned by solid structural demand fundamentals in our core regions. We are also exploring a number of other options with Chinese partners that may also provide opportunities for the Company.

During this last quarter we have strengthened our technical expertise within our iron ore division. In particular, we have recruited engineers and a geologist with years of mining experience gained from the operations of Vale, Rio Tinto and BHP Billiton. We have also made a number of senior additions to our central head office, and now have an expanded and highly experienced management team fully in place to deliver our strategy.

I remain very optimistic about London Mining's future prospects in 2009 and look forward to delivering messages of transformational growth in the near term.



CJ Knight  
Chairman

# LONDON MINING PLC

## Operational Review

During the quarter London Mining continued to advance the development of its assets in Saudi Arabia, Greenland and Sierra Leone. In addition, the Company acquired an interest in an operating iron ore mine and processing plant in the Ansui and Jiangsu Province of the People's Republic of China which it expects to integrate into its operational structure during Q2 2009.

London Mining also continues to assess its portfolio of coal interests in South Africa and Columbia as it executes its strategy to become a diversified supplier of raw materials for steel production and energy generation.

### 1.1 Wadi Sawawin (50% JV), Saudi Arabia

The Company holds its 50% interest in the Wadi Sawawin project through Saudi London Iron Ltd (SLI), a joint venture company formed between London Mining and the Saudi-based National Mining Company of Saudi Arabia (NMC). The Joint Venture objective is to create a globally competitive low cost, premium product operation in a region of high iron consumption. A strategic Memorandum of Understanding (MOU) signed in September 2008 with Saudi Advance Production for Iron & Steel Ltd (SAPIS) is expected to lead to full off-take of production and the financing of the development capital.

In February 2009, the Group announced a positive feasibility study, performed by independent mining engineers Ausenco/SEI, for the first 5mtpa phase of the project. An independent market study was also completed by CRU and identified a significant supply deficit of direct reduction DR pellets in the Middle East and North Africa Region (MENA) that would support an expansion of up to 20mtpa.

The feasibility study considered a first phase of the project for 11.6 mtpa (ROM) open pit mine, a 60 km slurry pipeline to beneficiation and pelletising facilities on the Red Sea which will produce 5 mtpa of DR pellets. Key findings from the feasibility and market studies are:

- Final pit design tonnage : 157.0 mt
- Stripping ratio : 1.25
- Mine Life : 14 years
- Fe Grade : 41.06%
- Beneficiation : 5 mtpa
- Fe Grade Pellet : 67.2%
- Capex : USD 1.8 billion
- NPV : USD 1.6 billion
- Payback : less than 6 years

London Mining is now undertaking a full bankable feasibility study, in which we are reviewing and formalising all aspects of the feasibility study, including the capex spend (which we expect to reduce) and the financing structure (which we will adjust to reflect current market conditions). In addition, we are undertaking required further surveys, including topographical and geotechnical surveys.

# LONDON MINING PLC

A second phase targets further production of 10-15mtpa through the combination of production of high quality DR pellet feed from London Mining's Isua project in Greenland with additional ore from Wadi Sawawin. The proposed port and pellet site in Saudi Arabia offers proximity to customers and pelletising cost advantages, such as low natural gas costs, to optimise margins available in DR pellet production. Testwork on the combined pellet feeds and resulting pellets are underway.

The work plan for 2009 involves moving the project to a bankable feasibility study, finalising an EPCM contract and working with partners to coordinate funding for the project. As part of this program, the company is also undertaking further resource definition work in order to optimise capital expenditure, plant capacity and project economics.

## **1.2 Isua (100%), Greenland**

Ongoing engineering and resource definition work is expected to culminate in the completion of a prefeasibility study for the high-grade Isua magnetite project by the end of 2009. London Mining has engaged Hatch and MT Højgaard, engineering companies with cold weather mining experience, to complete the study. As part of the prefeasibility work, a 4,600m infill drilling campaign is planned with Snowden expected to finalise an updated JORC resource statement during 2009. The Company also continues to assess the social and environmental impact of the project. This combined program of work is anticipated to result in a bankable feasibility study and a production decision by the end of 2010.

## **1.3 Marampa (100%), Sierra Leone**

The Company has commenced the final phase of engineering design for the processing. This is expected to be completed during H2 2009. The Company intends to order some of the main capital items once the Government of Sierra Leone makes a formal announcement regarding London Mining's license boundaries, ratified the Company's chosen transport route and provided financial incentives to assist with development of the asset in the current uncertain financial climate.

London Mining plans to employ trucks to haul upgraded ore 40km (including 28km on existing public roads) to a river port where ore will be barged a further 60km to the deep water port at Pepel for loading into Panamax or Capesize ships. Preliminary work on the road is set to commence ahead of the wet season and discussions are also ongoing with providers of turnkey port and shiploading solutions. These facilities could be completed within 12 months. A detailed EIA study is in its final stages and a draft is expected to be received by the end of H1 2009.

In addition the results from auger drilling program at the Marampa mine for revalidation of tailings reserves were received in January 2009 and confirmed that 39mt of tailings exist above water table and 24mt of tailings below. These resources are in the undisputed area of London Mining's mining lease. Diamond core drilling is continuing on hard rock deposit to determine the extent of the deposit and to upgrade this part of the resource to JORC standards. A site based chemical laboratory has been commissioned to analyse the samples being obtained from exploration drilling.

# LONDON MINING PLC

## **1.4 China Global Mining Resources (50% JV)**

On 17<sup>th</sup> March 2009, London Mining completed a 50:50 JV agreement with Wits Basin Precious Metals to acquire and operate the Xiaonanshan mine and Nanjing Sudan processing plant. The joint venture company, China Global Mining Resources (CGMR), took effective control of the asset on 23<sup>rd</sup> April 2009, having finalised the remaining closing conditions of the acquisition. The joint venture is currently conducting a comprehensive audit of safety, personnel, resources, operations and marketing after which it will determine expansion plans beyond the current capacity of 0.4mtpa.

## **1.5 El Artillero (55%), Mexico**

London Mining is not planning to invest further in El Artillero due to the small mineable reserve resulting from high levels of impurities identified by infill drilling. The company continues to review alternative financing options including contract mining, partner and third party equity funding for its investment in Mexico. The company expects to recover its investment in this project.

## **1.6 Iron Ore technical team**

London Mining is pleased to announce the appointment of David Keili as the project manager for its Marampa project. David is a registered professional engineer and Sierra Leone national, with extensive western training in the US including an MBA, and has 28 years experience in civil engineering and mining. The company has also bolstered its middle-eastern presence under the direction of Manfred Deutsch (chemical engineer, ex-Thyssenkrupp and SNC Lavalin) with the appointment of Colin Elston (Senior Engineering Manager), David Owen (Construction Manager) and John del Rosario (Head of Health and Safety, Security and Environment) all of whom have extensive project management experience in the Middle East.

As part of its aggressive growth plan the Company has also strengthened its in-house iron ore technical services team with the addition of Phillip Sterling and Sergio Guedes. Phillip is a metallurgical engineer with over 25 years experience with Samarco Mineração, Mineração Rio do Norte, Savage River Mines and BHP Billiton. Sergio is a geologist with over 20 years of experience and was formerly with CVRD and Rio Tinto.

## **2. Coal Division**

London Mining made its first coal investments during 2008. DMC Energy Pty Ltd (DMC Energy) and International Coal Company (ICC) were purchased with a view to accelerating production of their respective projects.

### **2.1 DMC Energy (effective 28%), South Africa**

Early stage exploration and development work continues on DMC's three properties (Rietkuil, Limpopo and Pixley ka Seme) with a definitive feasibility study for the 70% owned Rietkuil project expected in June 2009.

Rietkuil is located 80km from Johannesburg, just north of Delmas Colliery and adjacent to Exxaro's Leeupan mine. The project is well served by existing infrastructure with high tension power lines passing close to the property, the rail spur to Delmas Colliery and the R50 main road

# LONDON MINING PLC

from Delmas to Leandra cross the property. At the end of May London Mining received an updated resource statement for the property. DMC estimated measured and indicated category resources of 111mt of open-cut and 46mt of underground resources.

## **2.2 International Coal Company Ltd (20%), Colombia**

The Group has a 20% investment in ICC, a company with Colombian assets in coking coal, near term coke production facilities, thermal coal resources and certain options related to acquisitions and/or joint ventures and partnerships relating to ports and logistics.

London Mining continues its discussions with ICC regarding the funding of an option it has to purchase a company which would provide operating income and attractive export opportunities to support substantial development of coal production for export from ICCs coal properties.

# LONDON MINING PLC

## Financial Review

### Corporate

On 17 March 2009, the Company entered into a joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin) in relation to the operation of a 50:50 joint venture company, China Global Mining Resources (BVI) Limited (CGMR BVI). Under the terms of the agreement, the Company has subscribed USD 38.75 million for 100 A Shares in CGMR BVI and has made a direct loan to Wits Basin for USD 5.75 million: a total initial investment of USD 44.5 million.

Also on this date, a wholly owned company of CGMR BVI, China Global Mining Resources Limited (CGMR), a Hong Kong entity, acquired two Chinese companies: Xiaonanshan Mining Co limited (XNS) and Nanjing Sudan Mining Co limited (Sudan). The two companies operate iron ore mining and processing operations near Maanshan in the Anhui and Jiangsu Provinces in the People's Republic of China (PRC). The completion of the joint venture agreement with Wits Basin and the acquisition of XNS and Sudan, was subject to certain closing conditions, including the receipt of business licenses and permits relating to the transfer and operation of the mining properties.

The business licenses and official certificates and permits were received by the joint venture on 17 March 2009, and the remaining closing conditions of the acquisitions, including confirmation of the opening working capital position of the entities and receipt of the company business seals were finalized on 23 April 2009. As such, London Mining's investment in China has been held as an investment on the Group's balance sheet at 31 March 2009 and will be proportionally consolidated in the second quarter of 2009 from 23 April 2009.

### Income statement

The USD 4.0 million loss from continuing operations for the quarter ending 31 March 2009 compares to an equivalent continuing loss of USD 7.3 million for the comparative period. The current year loss largely comprises:

- USD 1.0 million (2008 USD nil) net charge arising from the Return Bonus plan<sup>1</sup>;
- USD 0.3m (2008 USD 1.1 million) staff costs for Directors and key management. The decrease from the comparative quarter is a result of USD 0.7 million of bonuses paid in the first quarter of 2008.
- USD 0.8 million of other staff costs (2008 USD 0.3 million) in the Group. The increase is attributable to increased staff numbers in the Group;
- A net credit of USD 0.2 million (2008 USD 2.5 million charge) arising from share-based payments. The USD 0.9 million charge for the period is offset by the USD 1.1 million reversal of prior years' share-based payment charge, following the lapse of LTIP awards made to the previous Managing Director on his resignation in February 2009.

---

<sup>1</sup> 2009 compensation payments made under the Return Bonus Plan relate to the 2008 "Return of Cash" to shareholders. Full details of the compensation scheme is 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.

# LONDON MINING PLC

- The 2008 loss included a USD 0.7 million share based payment charge on warrants and options issued to consultants. These all vested during 2008, so there is no charge in the current quarter;
- USD 2.3 million of other costs, including legal and professional, travel and other office costs (2008 1.5 million). These costs have increased as a result of the Group's expansion requiring additional travel costs and also with the set up of new offices in Oman, Brazil and Greenland; and
- USD 0.4 million net interest income (2008 USD 1.2 million net interest expense): the Group has no borrowings following the repayment of outstanding debt from proceeds from the sale of its Brazilian operations in Q3 2008.

## **Cash flow**

Total cash decreased during the quarter to 31 March 2009 by USD 56.0 million to USD 260.3 million. This net decrease is largely due to the USD 44.8 million payment, including USD 0.3 million of legal fees, to acquire the Chinese operations together with the USD 6.3 million loan to the Group's Employee Benefit Trust to acquire an additional 4.7 million London Mining plc shares to meet its obligations under the Company's share-based remuneration scheme.

In summary the net decrease in cash during the year arose from:

- USD 3.1 million net out flow from operating activities;
- USD 46.7 million net out flow from investing activities; and
- USD 6.3 million net out flow from financing activities.

## **Liquidity and going concern**

At 31 March 2009, London Mining had cash of USD 260.3 million and no borrowings. Under the terms of the Substantial Shareholder Exemption, 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. London Mining expects to make the necessary acquisitions or incur capital expenditure during 2009, to meet these requirements. London Mining has a number of projects under development but minimal contractual commitments at 31 March 2009. Having reviewed the Group's forecast cash flows for the next two years, the directors believe the Group has sufficient liquidity to fund the committed development expenditure of the Group without requiring any additional sources of finance. Accordingly, the directors have a reasonable expectation that adequate financial resources will continue to be available for the foreseeable future, and as such they continue to adopt the going concern basis in preparing the financial statements.

## **Retirement of Chris Brown as Managing Director**

On 9 February 2009, Chris Brown retired as Managing Director of London Mining to pursue personal interests abroad. Mr Brown founded the Company and has served as Managing Director since its inception. He is retained as a consultant to London Mining and remains a significant shareholder in the Company. Chris Brown is replaced by Graeme Hossie, who co-founded London Mining together with Chris Brown, and has had a vital position in building the Company's iron and coal business over the past four years.

**London Mining plc**  
**Condensed consolidated income statement**

	Note	Unaudited Three months ended 31 March 2009 \$'000	Unaudited & restated (see note 3) Three months ended 31 March 2008 \$'000
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Administrative expenses	5	(4,221)	(6,093)
<b>Loss from operations</b>		(4,221)	(6,093)
Share of results of associates (net of tax)		(122)	-
Finance income	6	686	5,639
Finance costs	6	(317)	(6,833)
<b>Loss before taxation</b>		(3,974)	(7,287)
Taxation		-	-
<b>Loss for the period - continuing operations</b>		(3,974)	(7,287)
<b>Discontinued operations</b>			
Profit from discontinued operations	8	-	256
<b>Loss for the period</b>		(3,974)	(7,031)
Attributable to:			
- Equity holders of parent		(3,947)	(7,031)
- Minority interest		(27)	-
		(3,974)	(7,031)
<b>Basic &amp; diluted earnings per share (USD per share)</b>			
From continuing operations	7	(0.04)	(0.07)
From discontinued operations	7	-	-
		(0.04)	(0.07)

**London Mining plc**  
**Condensed consolidated balance sheet**

	Note	Unaudited As at 31 March 2009 \$'000	Audited As at 31 December 2008 \$'000
<b>Non-current assets</b>			
Intangible assets		21,209	20,161
Property, plant and equipment		1,074	1,137
Investment in joint ventures	10	39,259	-
Loan to joint venture partner	10	5,750	-
Investment in associates		20,606	20,610
Inventories		593	449
Convertible loan receivable		18,500	18,500
		<b>106,991</b>	<b>60,857</b>
<b>Current assets</b>			
Inventories		8	8
Receivables		2,115	2,735
Cash and cash equivalents		260,252	316,286
		<b>262,375</b>	<b>319,029</b>
<b>Total assets</b>		<b>369,366</b>	<b>379,886</b>
<b>Current liabilities</b>			
Borrowings		-	-
Trade and other payables		11,673	11,821
		<b>11,673</b>	<b>11,821</b>
<b>Net current assets</b>		<b>250,702</b>	<b>307,208</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		32	32
		<b>32</b>	<b>32</b>
<b>Total liabilities</b>		<b>11,705</b>	<b>11,853</b>
<b>Total net assets</b>		<b>357,661</b>	<b>368,033</b>
<b>Equity</b>			
Share capital		398	398
Shares held in employee benefit trust		(11,467)	(5,159)
Share premium account		19,954	19,954
Other reserves		19,453	19,543
Retained earnings		328,911	332,858
<b>Equity attributable to equity holders of the parent</b>		<b>357,249</b>	<b>367,594</b>
<b>Minority interest</b>		<b>412</b>	<b>439</b>
<b>Total equity</b>		<b>357,661</b>	<b>368,033</b>

**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	<sup>1</sup> Warrant and option reserve \$'000	<sup>2</sup> Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
<b>Balance at 31 December 2007</b>	362	-	101,093	(21,243)	11,493	18,377	110,082	-	110,082
<b>Changes in equity for the three months ended 31 March 2008</b>									
Exchange difference on consolidation of non USD operations	-	-	-	-	-	1,848	1,848	-	1,848
Recognition of share-based payments	-	-	-	-	3,184	-	3,184	-	3,184
Issue of share capital (net of expenses)	6	-	1,783	-	(962)	-	827	-	827
Loss for the period	-	-	-	(7,031)	-	-	(7,031)	-	(7,031)
<b>Balance at 31 March 2008</b>	368	-	102,876	(28,274)	13,715	20,225	108,910	-	108,910
<b>Changes in equity for nine months ended 31 December 2008</b>									
Exchange difference arising on change in functional currency	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Exchange difference on consolidation of non USD operations	-	-	-	-	-	4,320	4,320	-	4,320
Recognition of share-based payments	-	877	-	-	7,834	-	8,711	-	8,711
Issue of share capital (net of expenses)	30	-	23,194	2,586	(6,488)	-	19,322	-	19,322
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 subsidiary	-	-	-	-	-	-	-	476	476
Acquisition of shares for employee benefit trust	-	(6,036)	-	-	-	-	(6,036)	-	(6,036)
Foreign exchange disposed on sale of subsidiary	-	-	-	-	-	(14,681)	(14,681)	-	(14,681)
Profit for the period	-	-	-	593,149	-	-	593,149	(37)	593,112
<b>Balance at 31 December 2008</b>	398	(5,159)	19,954	332,858	15,061	4,482	367,594	439	368,033
Exchange difference on consolidation of non USD operations	-	-	-	-	-	94	94	-	94
Recognition of share-based payments	-	-	-	-	(184)	-	(184)	-	(184)
Acquisition of shares for employee benefit trust	-	(6,308)	-	-	-	-	(6,308)	-	(6,308)
Loss for the period	-	-	-	(3,947)	-	-	(3,947)	(27)	(3,974)
<b>Balance at 31 March 2009</b>	398	(11,467)	19,954	328,911	14,877	4,576	357,249	412	357,661

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

<sup>2</sup>This includes exchange differences arising on change in functional currency of the company

**London Mining plc**  
**Condensed consolidated cash flow statement**

		<b>Unaudited</b>	Unaudited & restated (see note 3)
		<b>Three months ended 31 March 2009 \$'000</b>	Three months ended 31 March 2008 \$'000
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Net cash outflow from operating activities	<b>9</b>	<b>(3,382)</b>	(3,675)
Interest received		<b>294</b>	956
Interest expense		<b>(10)</b>	(1,925)
<b>Net cash outflow from operating activities – continuing operations</b>		<b>(3,098)</b>	(4,644)
<b>Net cash inflow from operating activities – discontinued operations</b>		-	2,506
<b>Net cash outflow from operating activities – total Group</b>		<b>(3,098)</b>	(2,138)
<b>Cash flows from investing activities</b>			
Transaction costs paid on sale of discontinued operations		<b>(541)</b>	-
Purchase of Joint Ventures		<b>(44,793)</b>	-
Investments in associates		<b>(11)</b>	-
Loans to associates		-	(100)
Payments to acquire intangible assets	<b>9</b>	<b>(1,266)</b>	(70)
Purchase of property, plant and equipment		<b>(51)</b>	(570)
<b>Net cash outflow from investing activities – continuing operations</b>		<b>(46,662)</b>	(740)
<b>Net cash outflow from investing activities – discontinued operations</b>		-	(9,549)
<b>Net cash outflow from investing activities – total Group</b>		<b>(46,662)</b>	(10,289)
<b>Cash flows from financing activities</b>			
Purchases of shares by the Employee Benefit Trust		<b>(6,308)</b>	-
Proceeds from issue of Ordinary shares, net of expenses		-	826
<b>Net cash (outflow) / inflow from financing activities – continuing operations</b>		<b>(6,308)</b>	826
<b>Net cash outflow from financing activities – discontinued operations</b>		-	-
<b>Net cash (outflow) / inflow from financing activities – total Group</b>		<b>(6,308)</b>	826
<b>Net decrease in cash and cash equivalents</b>		<b>(56,068)</b>	(11,601)
Cash and cash equivalents at beginning of period		<b>316,286</b>	90,718
Exchange differences		<b>34</b>	4,688
<b>Cash and cash equivalents at end of period</b>		<b>260,252</b>	83,805

# **London Mining plc**

## **Notes to the condensed consolidated financial statements**

### **1. General information**

The financial information for the three months ended 31 March 2009 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](http://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 (IFRSs). The condensed consolidated financial statements included in this quarterly financial 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', 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 changed from those previously disclosed under IAS 14.

As a result, the segmental information required by IAS 34 which is included in note 4 is presented in accordance with IFRS 8.

### **3. Functional and presentation currencies**

On 1 September 2008, the functional currency of the Company changed from GBP to USD. Concurrent with this change, the Group adopted the USD as its presentation currency. Details of these changes can be found in the Group's annual report for the year ended 31 December 2008.

For the purposes of changing the Group's presentation currency, the comparatives for the three months ended 31 March 2008 in the consolidated income statement and consolidated cash flow statement have been translated at the average USD / GBP exchange rate for 1 January to 31 March 2008, of USD 1.974: GBP 1. Financial information for the three months ended 31 March 2008 has been presented as 'Unaudited and restated'.

### **4. 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 review the performance of the Group. The Board evaluates the performance of the Group principally with reference to profit or loss from operations and this therefore continues to be considered segment profit or loss.

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 period ended 31 March 2008 are listed in note 8.

**London Mining plc**  
**Notes to the condensed consolidated financial statements**

**4. Operating segments (continued)**

Group	Three months ended 31 March 2009			
	Continuing operations			Total \$'000
	Iron ore \$'000	Coal \$'000	Group unallocated items \$'000	
Revenue	-	-	-	-
Administrative expenses	(3,054)	(442)	(725)	(4,221)
<b>Segment loss - continuing operations</b>	<b>(3,054)</b>	<b>(442)</b>	<b>(725)</b>	<b>(4,221)</b>
Share of results of associates	-	(122)	-	(122)
Net finance income	(1)	-	370	369
Taxation	-	-	-	-
<b>Loss for the period – continuing operations</b>	<b>(3,055)</b>	<b>(564)</b>	<b>(355)</b>	<b>(3,974)</b>
<b>Total Assets</b>	<b>69,626</b>	<b>39,364</b>	<b>260,376</b>	<b>369,366</b>

For the three months ended 31 March 2008, the Group had only one business segment, being the mining, extraction and production of iron ore. Consequently, no comparatives have been presented for this period.

**5. Administrative expenses**

	Three months ended 31 March 2009 \$'000	Three months ended 31 March 2008 \$'000
Return Bonus Plan <sup>1</sup>	1,023	-
Share-based payments to consultants	-	653
Staff costs		
Share-based payments to staff, directors and key management	(184)	2,544
Directors and key management remuneration excluding share-based payments	329	1,088
Other staff costs	813	325
Consultancy and legal fees	759	793
Depreciation and amortisation	117	84
Fees payable to the Group's auditors for the audit of the Group's annual accounts	40	-
Fees payable to the Group's auditors for other services to the Group	-	-
Taxation services	151	-
Other services	47	-
Fees payable to other auditors <sup>2</sup>	-	149
Operating lease costs – property	141	52

<sup>1</sup> Details of the Return Bonus Plan can be found in the Group's annual report for the year ending 31 December 2008.

<sup>2</sup> The Group's previous auditors (BDO Stoy Hayward LLP) provided services up until their resignation for taxation and corporate finance services. These fees are included within this amount.

**London Mining plc**  
**Notes to the condensed consolidated financial statements**

**6. Finance income and costs**

	<b>Three months ended 31 March 2009 \$'000</b>	Three months ended 31 March 2008 \$'000
<b>Finance income</b>		
Interest income from cash and cash equivalents	294	956
Exchange gains	392	4,683
	<b>686</b>	5,639
<b>Finance costs</b>		
Interest expense	10	-
Interest on Callable and Puttable Bonds 2007/2012	-	2,156
Exchange losses	307	4,677
	<b>317</b>	6,833

**7. Earnings per share**

**(a) Basic**

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

	<b>Three months ended 31 March 2009 \$'000</b>	Three months ended 31 March 2008 \$'000
Loss from continuing operations attributable to equity holders of the Company	<b>(3,947)</b>	(7,287)
Profit from discontinued operations attributable to equity holders of the Company	-	256
	<b>(3,947)</b>	(7,031)
<b>Weighted average number of ordinary shares in issue</b>	<b>106,180,114</b>	99,831,879

**(b) Diluted**

The outstanding options, warrants and LTIP's at 31 March 2009 and 2008 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share is the same for the current and prior period.

**London Mining plc**  
**Notes to the condensed consolidated financial statements**

**8. Discontinued operations**

On 19 August 2008, the Group announced that it had 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.

	<b>Three months ended 31 March 2009 \$'000</b>	Three months ended 31 March 2008 \$'000
Revenue	-	3,852
Cost of sales	-	(2,067)
<b>Gross profit</b>	-	1,785
Sales and distribution expenses	-	(26)
Administrative expenses	-	(998)
<b>Profit from operations</b>	-	761
Finance income	-	465
Finance costs	-	(630)
<b>Profit before taxation</b>	-	596
Taxation	-	(340)
<b>Profit from discontinued operations</b>	-	256
Attributable to:		
- Equity holders of parent	-	256
	-	256

**London Mining plc**  
**Notes to the condensed consolidated financial statements**

**9. Notes to the cash flow statement**

	<b>Three months ended 31 March 2009 \$'000</b>	Three months ended 31 March 2008 \$'000
<b>Reconciliation of loss for the period to cash outflows from operating activities</b>		
Loss for the period – total Group	<b>(3,974)</b>	(7,031)
Adjusted for:		
Profit for the period - discontinued operations	-	(256)
Share of results from associates	<b>122</b>	-
Depreciation and amortisation	<b>117</b>	84
Finance income	<b>(686)</b>	(5,639)
Finance costs	<b>317</b>	6,833
Share-based payments (credit) / expense	<b>(184)</b>	3,197
Tax expense	-	-
	<b>(4,288)</b>	(2,812)
Decrease / (increase) in current receivables and inventories	<b>539</b>	(486)
Increase / (decrease) in trade and other payables	<b>367</b>	(377)
<b>Net cash outflow from operating activities</b>	<b>(3,382)</b>	(3,675)
<b>Payments to acquire intangible assets</b>		
Acquisition of intangible assets	<b>(1,266)</b>	(766)
Less: amounts accrued	-	696
<b>Payments to acquire intangible assets</b>	<b>(1,266)</b>	(70)

**10. Composition of the Group**

**China**

On 17 March 2009, the Company entered into a joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin) in relation to the operation of a 50:50 joint venture company, China Global Mining Resources (BVI) Limited (CGMR BVI). Under the terms of the agreement, the Company subscribed USD 38.75 million for 100 A Shares in CGMR BVI and made a direct loan to Wits Basin for USD 5.75 million, a total initial investment of USD 44.5 million.

Also on this date, a wholly owned company of CGMR BVI, China Global Mining Resources Limited (CGMR), a Hong Kong entity, completed its acquisition (subject to certain conditions precedent) of two Chinese companies: Xiaonanshan Mining Co Limited (XNS) and Nanjing Sudan Mining Co Limited (Sudan). The two companies operate iron ore mining and processing operations near Maanshan in the Anhui and Jiangsu Provinces in the People's Republic of China (PRC). The completion of the joint venture agreement with Wits Basin and the acquisition of XNS and Sudan, was subject to certain closing conditions, including the receipt of business licenses and permits relating to the transfer and operation of the mining properties.

The business licenses and official certificates and permits were received by the joint venture on 17 March 2009, and the remaining closing conditions of the acquisitions, including confirmation of the opening working capital position of the entities and receipt of the company business seals were finalized on 23 April 2009. As such, London Mining's investment in China has been held as an investment on the Group's balance sheet at 31 March 2009 and will be proportionally consolidated in the second quarter of 2009 from 23 April 2009.

**London Mining plc**  
**Notes to the condensed consolidated financial statements**

**10. Composition of the Group** (continued)

Under the terms of the acquisition of XNS and Sudan, the sellers, Mr Lu Benzhao 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 share capitals of XNS and Sudan. Of this consideration, USD 17.48 million is deferred. One of the sellers will also receive up to a further USD 53.95 million in compensation under a consulting agreement with CGMR, of which USD 15.31 million has been paid and the balance is payable subject to available cash from the operations of the acquired entities. Under the joint venture arrangements, London Mining will receive priority dividends from CGMR until its USD 44.5 million initial investment is repaid.

CGMR 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.

	Country of incorporation	Principle activity	Ownership interest	
			2009 %	2008 %
<b>Subsidiaries:</b>				
London Mining Company Limited	Sierra Leone	Mining	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	Greenland	Mining	100	100
Hammersmyth Management Ltd	Canada	Dormant	100	100
<b>Associates:</b>				
DMC Coal Mining (Pty) Ltd	South Africa	Mining	39.3	39.3
International Coal Company Ltd	Cayman Islands	Mining	20.0	20.0
<b>Joint Ventures:</b>				
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	-

**11. Related party transactions**

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

The Group has a related party relationship with its subsidiaries and its associates. Transactions between Group entities are eliminated on consolidation and are not included in this note. There were no related party transactions with associates or directors during the year.