

**London Mining Plc**  
**Quoted on London AIM (LOND LN) and Oslo Axess (LOND NO)**  
**("London Mining" or the "Company")**  
**26 May 2011**

**OPERATIONS UPDATE AND FINANCIAL REVIEW FOR THREE MONTHS TO 31 MARCH 2011**

**Highlights (including post-period)**

Marampa, Sierra Leone

- Commissioning on target for Q3 2011, first shipment in Q4 2011
- All environmental permits received in January 2011
- Phase 1a construction is 60% complete at end of April 2011
- Glencore offtake agreed for Phase 1a production
- Phase 2 PFS completed to 16Mtpa
- Total JORC compliant resources increased to 1,008Mt

Isua, Greenland

- JORC compliant resources increased to 1,002Mt
- Updated scoping study for 15Mtpa operation
- BFS commenced with expected completion December 2011

Other projects

- First production from Colombia coke ovens expected Q4 2011

Corporate

- Net USD105.1 million proceeds raised from oversubscribed convertible bond issue in February 2011
- Colin Harris joins the London Mining Board of Directors as an independent non executive director

**Marampa (100% ownership)**

Significant progress was made at Marampa over the year to date with construction of the initial Phase 1a production module being 60% complete at the end of April, and with both environmental permits and an offtake agreement secured with Glencore in January. The JORC drilling campaign continues with further primary resources added taking the total JORC resource at Marampa to over 1 billion tonnes. A prefeasibility study was completed in April which demonstrated the viability of an expansion to 16Mtpa with a robust post-tax NPV<sub>10</sub> of USD 2.2 billion.

*Phase 1 construction*

London Mining continues to target commissioning in Q3 2011 with first shipments to follow in Q4 2011. A potential delay of around six weeks to the overall project schedule was experienced as a result of congestion issues at the Freetown Port which coincided with Sierra Leone's 50th Anniversary of Independence celebrations. However with the exceptional assistance of the Government of Sierra Leone ("GoSL"), the port authorities and all associated parties, all containers have now been cleared and transported to site. London Mining will now use a double shift to recover lost time to achieve the targeted completion of construction and commissioning in Q3 2011. At the end of April 2011, USD 123 million of the Phase 1a capital budget had been committed of which USD 93 million was spent with the total capital cost still expected to be USD136 million.

Stockpiling of tailings material is progressing as part of construction, with mining of higher grade weathered material expected to commence shortly. A stockpile sufficient for approximately one year's mine production is being established allowing areas to be cleared for haul roads and a tailings storage facility.

Completion of the processing plant remains the critical path item in the Phase 1a schedule but essential concrete works have been completed to allow erection of structural steel and the route for a 5km pipe and powerline to the river pumping station has been cleared. Concrete bases have also been poured for the main power plant and the heavy fuel oil generators are now on site.

The second stretch of haul road from the mine to Rogbere is 90% complete and GoSL has confirmed that there should be no restrictions on access preventing its completion, enabling it to be joined with the private road already constructed from Rogbere to London Mining's port at Thofeyim. Mobilisation notice has been given to Bollore Africa to provide trucking and road maintenance ahead of first production: Bollore is responsible for ongoing road maintenance of the dedicated haul road and any required dust suppression.

At the Thofeyim port, bulk earthworks and piling for the barge loading jetty have been completed but dredging progress has been slower than expected due to a requirement by the contractor to mobilise additional rock breaking equipment to remove 6,000m<sup>3</sup> of harder material out of a total programme of 650,000m<sup>3</sup>. This additional capital cost is covered by the Phase 1a contingency and does not affect the critical path for the project.

Definitive contracts are close to finalisation with providers of barging and transshipment in preference to an earlier proposed agreement with Louis Dreyfus Armatures. The new agreement will provide four tugs and four barges in time for the first expected shipments to self-loading handymax vessels in Q4 2011, and will allow an accelerated delivery of an offshore transshipment vessel for loading to larger ships in Q1 2012.

#### *Drilling progress and resource upgrade*

11,788m of drilling was completed over the first quarter as part of London Mining's strategy to convert existing resource to the measured and indicated categories. Snowden Mining Industry Consultants estimated an overall increase in primary ore resources during the quarter of 64.4Mt, with total primary resources at the end of the March 2011 now totalling 971Mt at 31.2% Fe and includes an increase in Indicated primary ore resources from 379Mt at 31.5% Fe to 566Mt at 31.5% Fe. Total resources including tailings are now 1,008Mt of which 60% is in the Indicated category.

Resources are reported in accordance with the JORC Code 2004.

Summary of Marampa resource as at March 2010 reported at a 15% Fe cutoff

Ore type	Classification	Mt	Fe (%)	Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> (%)	CaO (%)	MnO (%)	P (%)	S (%)
Primary	Indicated	566	31.5	4.9	39.3	2.79	0.71	0.14	0.01
	Inferred	404	30.8	5.1	39.7	2.61	0.86	0.13	0.01
Tailings	Indicated	38	22.5	9.0	51.4	0.1	1.05	0.05	0.01
<b>Total</b>		1008	30.9	5.1	39.9	2.6	0.78	0.13	0.01

#### *Phase 2 PFS results and next steps*

On 10 April 2011, London Mining announced the results of a prefeasibility study for an expansion of the Phase 2 Marampa Project to 16Mtpa. The new production plan extends the life of Marampa until 2036. Construction is anticipated to commence in 1H 2012 following the completion of a full feasibility study, to enable first production from Phase 2 in Q3 2014.

Development of Phase 2 of Marampa is a three stage process outlined below.

**Phase 2a : low capex expansion**

Initial expansion of 8Mtpa for an estimated capital cost of USD659m. The utilisation of softer weathered material and use of expanded existing haul road and barging capacity produces a low capital intensity of USD82/t of capacity. Construction is anticipated to commence in 1H 2012 with first production in Q3 2014. The low capital cost of Phase 2a provides London Mining with a number of options to finance the expansion, including options that do not involve a strategic partner.

**Phase 2b : hard rock expansion**

A further expansion of up to 8Mtpa of pellet feed, to a total of 16Mtpa, based on the mining and processing of the unweathered portion of the Marampa ore body for an estimated capital cost of USD1,187m. The higher capital intensity of USD148/t of capacity reflects the processing of harder ore as well as the construction of a pipeline, a coal fired power station and a new port.

**Phase 2c (2019-2020 when 2a is complete) : reconfiguration of Phase 2a to allow processing of hard rock**

Addition of regrinding and flotation capacity to the sinter concentrate circuit to allow for processing of unweathered ore once soft weathered ore has been depleted. The estimated capital cost of 2c is USD523m, equivalent to USD65/t of capacity. Phase 2c will utilise Phase 2b logistics but require an expansion of port and power facilities.

Capital costs are reported below and have an accuracy range of - 25%/+30%

	<b>Phase 2a</b>	<b>Phase 2b</b>	<b>Phase 2c</b>
Target production rate	8	8	8
First production	2014	2015	2021
Capital expenditure breakdown (USDm)			
Mining	101.4	71.3	0.0
Process Plant	229.7	374.1	115.7
Site Infrastructure	57.6	25.9	2.7
Port Facilities	10.4	129.9	100.8
Power Infrastructure	46.8	149.3	94.4
Thofeyim Port	23.3	0.0	0.0
First Fills, Spares, Mobile Equip.	17.8	48.9	8.6
Indirects	78.0	223.7	128.1
Owner's costs and Contingencies	93.9	163.7	73.1
<b>Total</b>	<b>658.8</b>	<b>1186.7</b>	<b>523.4</b>
Capital Intensity (USD/t capacity)	82	148	65

Operating costs have been produced with an accuracy of +/- 30% and are as follows:

Expected Opex	Phase 2a	Phases 2a and 2b	Phases 2b and 2c	LOM
Mining	7	6	8	8
Processing (including pipeline)	9	10	12	11
Truck haulage	3	2	-	1
Port	1	1	2	2
Barges and transhipment	5	6	5	5
G&A	3	2	2	2
<b>Total (USD/t)</b>	<b>28</b>	<b>27</b>	<b>29</b>	<b>29</b>

The new production plan extended the life of Marampa until 2036. The production plan produces a post-tax NPV<sub>10</sub> for the Marampa expansion of USD 2.2 billion with an IRR of 28.8% and a payback of 4.0 years. This is based on sale of concentrates to China with price forecasts provided by AME Mineral Economics.

#### *Mining Lease Agreement (“MLA”) and review of fiscal incentives*

A review of the MLA comprising fiscal incentives for Phase 1 by GoSL is near to conclusion. Current discussions with the Government review committee (“the Committee”) indicate there should be no material changes to the total project value as a result of any modifications to the MLA and associated fiscal incentive package and hence the investment programme remains unchanged. London Mining supports efforts to increase transparency in the mining industry in Sierra Leone, and GoSL remains very supportive of London Mining’s production and investment plans.

#### *Environmental permitting and management*

London Mining received its full environmental permit for Marampa at the beginning of January 2011. The issuance of the permit followed the formal approval and acceptance by the Sierra Leone Environmental Protection Agency (“SLEPA”) of London Mining’s Environmental Impact Assessment (“EIA”), the EIA having been discussed publically via four public hearings in Sierra Leone, which were attended by members of the public and NGOs. The permit is subject to an annual renewal by SLEPA (“Sierra Leone Environmental Protection Agency”), which requires ongoing environmental compliance in accordance with the Sierra Leone Environmental Act 2008 and the payment of an annual fee. The EIA meets all local regulations and London Mining is working with an internationally recognised environmental consultant to ensure compliance with international best practice.

#### *Offtake and marketing*

An offtake agreement for Marampa was signed with the trading house Glencore International AG (“Glencore”) on 26 January 2011. The offtake covered 9.5 million wet metric tonnes (WMT) production from Phase 1a of the Company’s Marampa project. The five year agreement, which included a pre-payment facility for up to USD 27.0 million, will provide guaranteed offtake and shipping from Sierra Leone for all Phase 1a production, with the option for London Mining to expand the agreement to Phase 1b on the same terms. The offtake will be based on Platts 62% CFR China benchmark, with an upward adjustment for the Fe content of the Company’s 65% Fe sinter feed concentrate, and an incentive to place product at locations such as Europe where there is a net pricing benefit through lower shipping costs. The Agreement accommodates London Mining’s ramp up expectations and is flexible to accommodate varying shipping sizes and frequencies to supply European, Chinese and other markets.

**Isua (100% ownership)**

In February 2011 London Mining released the results of a 15Mtpa scoping study completed by SNC Lavalin. The scoping study considered a 15Mtpa open pit and processing operation with a 15 year initial mine life for estimated capital expenditure of USD 2.0 billion, representing a 22% reduction in capital intensity from that previously reported in the pre feasibility study of a 10Mtpa operation released in June 2010. Operating costs increased from USD 27 to USD 29/t mostly due to a 20% increase in fuel costs. The scoping study was based on capital and operational cost estimates to a level of accuracy of -30% to +40% with Chinese contractors CCCC and Sinosteel providing engineering support and cost estimates for certain capital items.

The 15Mtpa scoping study and detailed work undertaken for the 10Mtpa PFS is to form the basis of a 15Mtpa bankable feasibility study (“BFS”) which has already commenced and is scheduled to be completed by the end of 2011.

Highlights of the two studies are as follows:

<b>Study date</b>	<b>Scoping Study (15Mtpa) February 2011</b>	<b>PFS (10Mtpa) June 2010</b>
Annual production (Mtpa)	15	10
Mine life (years)	15	21
Opex (USD/t concentrate)	29	27
Capital expenditure breakdown – USD million		
Mine	143	132
ROM Crushing	41	34
Process Plant	229	165
Tailings	11	9
Product Delivery	253	202
Port	164	132
Project Sensitivities	145	137
Project Infrastructure	396	358
Project Indirect Costs	398	345
Subtotal	1,780	1,514
Contingency (15%)	267	227
Total	2,047	1,741
Capital Intensity (USD/tpa)	136	174

The post-tax project economics based on new scoping study estimates and an August 2010 price deck provided by Raw Materials Group (“RMG”) are displayed below. The value of the Isua Project is significantly increased if the Isua concentrate is sold into Europe rather than China, based on a significant freight differential of around USD 25/WMT.

	100% of product sold in China	100% of product sold in Europe
NPV <sub>8</sub> (USD billion)	2.5	4.5
IRR (%)	23	33
Payback period (months)	36	25

#### *Resource update*

Based on additional drilling of 5,200m completed in the 2010 season, Snowden Mining Industry Consultants now estimate a total resource for Isua of 1,002Mt at 34.4% Fe, including Indicated resources of 209Mt, an 83% increase from the March 2010 estimate of 114Mt.

Summary of Isua Mineral Resource at March 2011 reported at a 20% Fe cut-off grade

Category	Tonnes (Mt)	Fe (%)	Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> (%)	S (%)	P (%)
Indicated	209	36.8	0.4	41.6	0.17	0.03
Inferred	793	33.8	0.5	45.0	0.23	0.03
<b>Total</b>	<b>1002</b>	<b>34.4</b>	<b>0.5</b>	<b>44.3</b>	<b>0.22</b>	<b>0.03</b>

London Mining has now completed three seasons of exploration drilling, and a further 7,000 to 8,000 metres of drilling will be undertaken in 2011 to convert further resources currently in the Inferred category to Indicated as part of the BFS programme. In addition, all necessary base line data collections, advanced field drilling programmes, Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA), together the ESIA, have been, or are expected to be undertaken to allow completion of a full BFS by the end of 2011. Government approval of the ESIA at the end of 2011 would allow construction to start in 2012 for first production at the beginning of 2015.

London Mining has also started regular public meetings to be held every two months to inform local people of Isua’s development and has established monthly project meetings with the Bureau of Minerals and Petroleum (“BMP”) in Greenland to report on project development.

As previously announced London Mining is considering opportunities to fund the BFS by selling a financial interest at project level and continues to implement its programme to sell a strategic stake and offtake in exchange for the funding.

#### **Wadi Sawawin, Saudi Arabia (25% ownership)**

National Mining Company and London Mining continue to work jointly on the ongoing application to the Deputy Ministry for Mineral Resources for the extension of the existing exploitation licence to serve the proposed 5Mtpa 20 year operation and discussions progress.

The process to secure the funding of the Wadi Sawawin project continues. There have been initial positive discussions with the power, water and port authorities in Saudi Arabia regarding the provision of those services. In the event that agreements are reached, this would materially reduce the capex requirement of the project. There have also been initial discussions with offtake partners and contractors.

London Mining has produced 10 tonnes of Wadi Sawawin iron ore concentrate at a small scale production plant built in Perth, Australia, of which a portion is en route to Metso in the USA for the production of DR pellets which will be used to provide samples to potential providers of offtake.

### **Colombia (100% ownership)**

Construction of the first 60 ovens (200kt coking capacity) continues with first production expected in Q4 2011. Following the impact of La Nina, expected capex is currently expected to be USD34m primarily as a result of increased drainage costs and other impacts of the rains, but also due to a weaker US dollar putting inflationary pressures on local costs. London Mining is close to securing a 10 year deal for port capacity, and is in discussions regarding haulage and offtake agreements, and has finalized a number of coal supply agreements for the ovens.

London Mining has secured three concessions with potential to supply coking coal feedstock to the ovens and is reviewing two more. These concessions have the potential to provide all the feedstock for the expanded 120 oven scenario for at least the next fifteen years. London Mining continues to explore for further coking coal resource potential with 4,064m of drilling completed in the first four months of 2011.

### **Corporate**

In February 2011, London Mining raised net proceeds of USD105.1 million from the issue of USD110.0 million 5-year 8.0% convertible bonds. The issue was oversubscribed and priced at a 38% premium to the reference share price.

London Mining welcomes the addition of Colin Harris to its Board of Directors as an independent non executive director with effect from 12 May 2011. Mr Harris brings extensive mining experience to London Mining, as an exploration geologist with over 40 years industry experience including: Anglo American (5 years), Cominco (14 years) and Rio Tinto (19 years). He is currently the Managing Director of iron ore company Zanaga UK Services Ltd, and is a non-executive director of AIM-listed Ncondezi Coal Company Limited. In the last five years he has also acted as a Director for Simfa S.A. He has a BSc in Geology from Rhodes University (South Africa).

Russell Turner, Principal Consultant, Snowden Mining Industry Consultants MAIG, who has 10 years experience in Iron Ore and is familiar with the deposit types in question in order to be considered as a competent person in accordance with the JORC code requirements, has reviewed and approved the information that relate specifically to the resources figures contained within this announcement.

**For more information, please contact:****London Mining Plc** +44 207 201 5000Graeme Hossie, Chief Executive Officer  
Rachel Rhodes, Chief Financial Officer  
Thomas Credland, Head of Investor Relations**Liberum Capital (Nominated Advisor/Broker)** +44 203 100 2000

Clayton Bush/Christopher Kololian

**J.P. Morgan Cazenove (Broker)** +44 207 742 4000

Adam Brett / Neil Passmore

**Brunswick Group LLP** +44 20 7404 5959

Carole Cable / Daniel Thöle

**Crux Kommunikasjon AS** +47 97 56 19 59

Charlotte Knudsen

**About London Mining**

London Mining is focused on identifying, developing and operating scalable mines to become a mid-tier supplier to the global steel industry. London Mining is developing three iron ore mines in Sierra Leone, Saudi Arabia and Greenland as well as a coking coal operation in the Socha region of Colombia. All London Mining's assets have deliverable production with potential for expansion. The Company listed on the Oslo Axess on 9 October 2007 and on AIM in London on 6 November 2009. It trades under the symbols LOND.L and LOND.NO (Reuters) and LOND LN and LOND NO (Bloomberg).

## Financial review

### 1. Income statement

The principal key performance indicator by which the Company measures the performance of its projects is earnings before interest, tax, depreciation and amortisation (EBITDA<sup>1</sup>). EBITDA for the three months ended 31 March 2011 is a net loss of USD 10.3 million (note 5, equivalent Q1 2010: net loss of USD 6.6 million).

The quarter on quarter increased EBITDA costs are largely due to increased costs in Sierra Leone of USD 4.3 million (Q1 2010: USD 1.3 million) reflecting high activity as the project ramps up to production. The first quarter 2011 also includes a USD 0.9 million EBITDA loss arising in Colombia, which was consolidated as a subsidiary from May 2010 and therefore previously not included in EBITDA.

EBITDA for the three months ended 31 March 2011 net loss USD 10.3 million (2010: net loss USD 6.6 million) includes the following administration costs:

- Staff related costs of USD 5.0 million (2010: 3.6 million) comprising:
  - i) USD 1.7 million (2010: USD 0.9 million) staff costs for Directors and key management. The increase from Q1 2010 is due to increased headcount and 2010 bonus payments paid in 2011;
  - ii) USD 2.4 million other employee costs (2010: USD 1.0 million). The increase reflects an increased head count in Sierra Leone, Colombia (following its acquisition in May 2010) and head office.
  - iii) A non-cash cost of USD 0.6 million (2010: USD 1.0 million) share based payment charges. The reduction is due to options vesting in 2010; and
  - iv) USD 0.3 million (2010: USD 0.7 million) charge arising from the return bonus plan<sup>2</sup>; this charge reflects the non-cash charge: no cash payments for the return bonus plan were made during the three months to 31 March 2011 (2010 USD 0.5 million) and a further USD 4.4 million is due (subject to the return bonus plan rules), with USD 1.9 million payable during the remainder of 2011 and USD 1.7 million payable on the exercise of options which will be covered by proceeds from the exercise of respective options.

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<sup>1</sup> Excludes share of results of joint ventures and associates

<sup>2</sup> Compensation payments made under the Return Bonus Plan relate to the "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.

## 1. Income statement (*continued*)

- Other costs:
  - i) USD 1.9 million (2010: USD 0.8 million) of consultancy, recruitment costs and legal fees. The increase is a result of higher activity in Sierra Leone, the first time consolidation of Colombia, and the search for project funding for the Greenland bankable feasibility study;
  - ii) USD 1.3 million (2010: USD 0.7 million) of travel costs, due to higher activity in Sierra Leone;
  - iii) USD 1.3 million (2010: USD 0.6 million) of other Sierra Leone overheads as the operation ramps up to production. Included are USD 0.1 million of corporate and social responsibility costs in relation to the Group's community investment projects of education, health and the environment.

### Fair value loss on deferred consideration

A cumulative loss for the year to date of USD 4.5 million has been recognised in respect of deferred London Mining share consideration payable on the acquisition of London Mining Colombia in May 2010. The loss arose due to the mark to market revaluation of deferred share consideration and reflects the increase in the London Mining share price from 31 December 2010 to 31 March 2011, (note 16).

### Taxation

A USD 0.3 million deferred tax credit has been recognised in the three months, which relates to Sierra Leone carried forward losses which are expected to be utilised.

### Marampa fiscal incentive review

A review of the MLA comprising fiscal incentives for Phase 1 by the Sierra Leone Government, ("GoSL") is near to conclusion. Results are expected in Q2 2011, and there is expected to be no change to the investment programme.

Current discussions with the Committee indicate there should be no material change to the project value as a result of any modifications to the MLA and associated fiscal incentive package and hence the investment programme remains unchanged.

## 2. Balance sheet

### Intangible assets

Intangible assets increased from USD 97.2 million at 31 December 2010 to USD 101.1 million at 31 March 2011. This is due to continued development at projects in Greenland, (USD 1.3 million for prefeasibility studies), Saudi Arabia, (USD 1.7 million work on the pilot test plant) and Colombia (USD 1.1 million exploration costs). Intangible asset costs relating Sierra Leone were reclassified as tangible assets during October 2010 in accordance with Group accounting policies when a project moves through to development.

## 2. Balance sheet (*continued*)

### Property, plant and equipment

Property plant and equipment increased from USD 81.1 million at 31 December 2010 to USD 122.6 million at 31 March 2011. This is due to additions of USD 39.9 million for construction of the Marampa project, in particular in respect of works at the process plant, power station and the port facility.

### Cash and Borrowings

In February London Mining received net proceeds of USD 105.1 million from the issue of USD 110.0 million convertible loan notes which are repayable in 2016. The bonds have a coupon of 8%. The convertible loan represents a compound instrument, with the net proceeds of USD 105.1 million being separated into debt and equity components as follows: a debt component of USD 87.5 million, which is recognised as long term borrowings on the balance sheet; and an equity component of USD 17.6 million.

The debt component of USD 87.6 million is accreted up to par value of USD 110 million through interest over the terms of the bonds using an effective interest rate of 13.4%. USD 1.5 million of interest charges were recorded in borrowings for the period to 31 March 2011.

### Deferred consideration payable

The USD 29.1 million non-current deferred consideration (31 December 2010 USD 24.3 million) relates to the acquisition of ICC and comprises USD 5.2 million potential deferred cash payment and USD 23.9 million non-cash share consideration, the vesting of which are subject to performance milestones, (note 16).

### Movements in equity:

Equity has increased by USD 3.0 million – primarily a result of the recognition of the USD 17.6 million equity component of the convertible debt (note 15), offset by the USD 15.1 million loss for the period.

## 3. Cash flow

Total cash increased during the three months by USD 53.3 million to USD 129.4 million

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

- USD 8.3 million net outflow from operating activities, (2010: USD 5.3 million outflow);
- USD 44.2 million net outflow from investing activities, (2010: USD 9.3 million outflow); and
- USD 105.2 million net inflow from financing activities, (2010: USD nil).

### Operating cash outflow

The USD 8.3 million operating cash outflow has arisen from the USD 15.1 million loss for the three months adjusted for non-cash and non-operating items, including:

- USD 4.5 million fair value loss on deferred consideration;
- USD 0.6 million share based payment expense;
- USD 0.3 million deferred tax credit;
- USD 0.3 million depreciation;

### 3. Cash flow (*continued*)

- USD 1.3 million inflow from working capital.

#### **Investing cash outflows**

Investing cash flows for the three months ended 31 March 2011 included:

- A total of USD 44.2 million spent on intangible assets and property, plant and equipment, reflecting the ongoing development of projects including:
  - USD 39.5 million Marampa, Sierra Leone;
  - USD 0.7 million Wadi Sawawin, Saudi Arabia;
  - USD 1.3 million Isua, Greenland; and
  - USD 2.7 million Colombia.

#### **Financing cash outflow**

Net cash inflow from financing activities of USD 105.2 million is a result of the receipt of the proceeds of a USD 110.0 million, (net of costs) unsecured convertible bonds, repayable in 2016 which was received in February 2011.

### 4. Liquidity and going concern

At 31 March 2011 the Group had cash of USD 129.4 million.

On 15th October 2010 London Mining announced that it had concluded a USD 60.0 million two year revolving credit facility arranged by Standard Chartered Bank, (SCB Facility). Drawdown of the facility is subject to certain conditions precedent, which the Directors expect to be fully satisfied in Q2 2011. The Group will require drawdown of the facility in order to complete the development of Phase 1a.

As previously announced London Mining is considering opportunities to fund the BFS by selling a financial interest at project level and continues to implement its programme to sell a strategic stake and offtake in exchange for the funding.

London Mining has sufficient cash resources in conjunction with the SCB facility, the expected receipt of USD 24.8 million proceeds from the sale of DMC and the expected receipt of external funding for Isua to: deliver Marampa Phase 1a tailings production; to accelerate Phase 1b expansion; to fund the Phase 2 bankable feasibility study; for initial coke production and exploration activity in Colombia and to complete a bankable feasibility study for the Isua project in accordance with the Group's reported timetable.

In the event that the proceeds from the DMC sales proceeds or the Isua external funding were delayed or not received, the Group could either delay the commencement of Marampa Phase 1b expansion and the Phase 2 bankable feasibility study, or could raise additional financing in order to keep its intended timetable for development and expansion.

Production funding for the more capital intensive projects in Greenland and Saudi Arabia will be sought from external funding into these projects directly.

External funding of the CGMR JV is needed to finance the required consolidation and growth of the Chinese operations. London Mining is still investigating bringing in a Chinese partner to operate the mine in return for equity in the business, and it is in discussions with several parties regarding this approach.

**4. Liquidity and going concern (*continued*)**

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of project commissioning, show that the Group has sufficient committed liquidity to fund its committed expenditure and will be able to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis.

**5. Related party transactions**

Related party transactions are disclosed in note 18.

**6. Forward looking information**

This 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**

	Note	Unaudited Three months ended 31 March 2011 \$'000	Restated <sup>1</sup> Unaudited Three months ended 31 March 2010 \$'000
<b>Continuing operations</b>			
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>			
Administrative expenses	7	(10,641)	(6,845)
<b>Loss from operations</b>			
Loss on disposal of a subsidiary		-	(236)
Fair value gain / (loss) on deferred consideration	16	(4,536)	-
Share of results of joint ventures and associates (net of tax)		-	589
Finance income	8	963	614
Finance costs	9	(1,192)	(475)
<b>Loss before taxation</b>			
Taxation	6	267	-
<b>Loss after taxation</b>			
		<b>(15,139)</b>	<b>(6,353)</b>
<b>Basic &amp; diluted earnings per share (USD per share)</b>			
From continuing operations	10	(0.14)	(0.06)
<b>Condensed consolidated statement of comprehensive income</b>			
Loss for the period		(15,139)	(6,353)
Exchange difference on consolidation of non USD operations		-	51
Total comprehensive income for the period		<b>(15,139)</b>	<b>(6,302)</b>

<sup>1</sup>2010 restated for change in accounting policy (note 4).

**London Mining plc**  
**Condensed consolidated balance sheet**  
**As at 31 March 2011**

	Note	Unaudited As at 31 March 2011 \$'000	Audited As at 31 December 2010 \$'000
<b>Non-current assets</b>			
Intangible assets	11	101,079	97,241
Property, plant and equipment	12	122,578	81,118
Deferred tax asset	6	1,493	1,226
		<b>225,150</b>	179,585
<b>Current assets</b>			
Inventories		600	600
Loans and receivables	14	6,450	6,423
Cash and cash equivalents		129,373	76,038
		<b>136,423</b>	83,061
Assets classified as held for sale	13	28,072	28,072
<b>Total assets</b>		<b>389,645</b>	290,718
<b>Current liabilities</b>			
Current tax liabilities		(545)	(545)
Trade and other payables		(23,574)	(21,482)
		<b>(24,119)</b>	(22,027)
<b>Net current assets</b>		<b>140,376</b>	89,106
<b>Non-current liabilities</b>			
Borrowings	15	(89,020)	-
Deferred consideration	16	(29,105)	(24,337)
Deferred tax liabilities		-	-
		<b>(118,125)</b>	(24,337)
<b>Total liabilities</b>		<b>(142,244)</b>	(46,364)
<b>Total net assets</b>		<b>247,401</b>	244,354
<b>Equity</b>			
Share capital		411	411
Share premium account		21,831	21,803
Merger reserve		12,000	12,000
Shares held in employee benefit trust		(5,411)	(5,411)
Other reserves		36,747	18,589
Retained earnings		181,823	196,962
<b>Equity attributable to equity holders of the parent</b>		<b>247,401</b>	244,354

**London Mining plc**  
**Condensed consolidated statement of changes in equity (unaudited)**  
**For the three months ended 31 March 2011**

	Share capital \$'000	Share premium account \$'000	Merger Reserve \$'000	Shares held in employee benefit trust \$'000	Retained earnings \$'000	Warrant and option Reserves <sup>1</sup> \$'000	Convertible debt Reserve \$'000	Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000
<b>Balance at 31 December 2009</b>	<b>398</b>	<b>20,094</b>	<b>-</b>	<b>(14,167)</b>	<b>299,312</b>	<b>16,125</b>	<b>-</b>	<b>5,398</b>	<b>327,160</b>
<b>Changes in equity for the three months ended 31 March 2010</b>									
Exchange difference on consolidation of non-USD operations	-	-	-	-	-	-	-	51	51
Recognition and exercise of share based payment awards	-	-	-	9,962	(5,517)	(3,485)	-	-	960
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	(6,353)	-	-	-	(6,353)
<b>Balance at 31 March 2010</b>	<b>398</b>	<b>20,094</b>	<b>-</b>	<b>(4,205)</b>	<b>287,442</b>	<b>12,640</b>	<b>-</b>	<b>5,449</b>	<b>321,818</b>
<b>Changes in equity for the nine months ended 31 December 2010</b>									
Exchange difference on consolidation of non-USD operations	-	-	-	-	-	-	-	(4)	(4)
Issue of share capital <sup>2</sup>	11	-	12,000	-	-	-	-	-	12,011
Recognition and exercise of share based payment awards	2	1,709	-	(1,206)	2,745	504	-	-	3,754
Loss for the period	-	-	-	-	(93,225)	-	-	-	(93,225)
<b>Balance at 31 December 2010</b>	<b>411</b>	<b>21,803</b>	<b>12,000</b>	<b>(5,411)</b>	<b>196,962</b>	<b>13,144</b>	<b>-</b>	<b>5,445</b>	<b>244,354</b>
<b>Changes in equity for the three months ended 31 March 2011</b>									
Recognition and exercise of share based payment awards	-	28	-	-	-	602	-	-	630
Equity component of convertible bond	-	-	-	-	-	-	17,556	-	17,556
Loss for the period	-	-	-	-	(15,139)	-	-	-	(15,139)
<b>Balance at 31 March 2011</b>	<b>411</b>	<b>21,831</b>	<b>12,000</b>	<b>(5,411)</b>	<b>181,823</b>	<b>13,746</b>	<b>17,556</b>	<b>5,445</b>	<b>247,401</b>

<sup>1</sup> The warrant and option reserve, which represents the cumulative charge of unexercised warrants and options granted as equity settled employee benefits and warrants issued for cash.

<sup>2</sup> The USD 12.0 million issue of share capital is the fair value of the 3,500,000 shares issued on the acquisition of the remaining 80% of International Coal Company Limited ("ICC"). The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition where merger relief under the sections 612 and 613 of the Companies Act 2006 applies.

**London Mining plc**  
**Condensed consolidated cash flow statement**  
**For the three months ended 31 March 2011**

		<b>Three months ended 31 March</b>	
		<b>2011</b>	<b>2010</b>
	<b>Note</b>	<b>Unaudited \$'000</b>	<b>Restated<sup>1</sup> Unaudited \$'000</b>
<b>Cash flows from operating activities</b>			
Cash used by operations	17	(8,347)	(5,368)
Interest received		50	53
Interest paid		-	-
<b>Net cash outflow from operating activities</b>		<b>(8,297)</b>	<b>(5,315)</b>
<b>Cash flows from investing activities</b>			
Loans to and investments in associates		-	(1,500)
Repayments of other loans and investments		-	2,000
Payments to acquire intangible assets		(3,142)	(10,176)
Purchase of property, plant and equipment		(41,009)	(332)
Proceeds from sale of subsidiaries <sup>2</sup>		-	756
<b>Net cash outflow from investing activities</b>		<b>(44,151)</b>	<b>(9,252)</b>
<b>Cash flows from financing activities</b>			
Net cash inflow on share capital issued on exercise of options and warrants		28	-
Net proceeds from issue of convertible debt	15	105,126	-
<b>Net cash outflow from financing activities</b>		<b>105,154</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>		<b>52,706</b>	<b>(14,567)</b>
Cash and cash equivalents at beginning of the period		76,038	204,261
Exchange differences		629	(284)
<b>Cash and cash equivalents at the end of the period</b>		<b>129,373</b>	<b>189,410</b>

<sup>1</sup> 2010 restated for change in accounting policy (note 4)

<sup>2</sup> Proceeds from sale of subsidiaries relate to the 2010 disposal of the Mexican operations.

**London Mining plc**  
**Notes to the condensed consolidated financial statements**  
**For the three months ended 31 March 2011**

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**1. General information**

London Mining plc is a company incorporated in the United Kingdom under the Companies Act and listed on the AIM and Oslo Axess stock exchanges. The address of the registered office is 39 Sloane Street, London, SW1X 9LP. The consolidated financial statements of the Company as at and for the three months ended 31 March 2011 comprise the Company, its subsidiaries and its share of jointly controlled entities (together referred to as “the Group”) and the Group’s interest in associates.

The financial information for the three months ended 31 March 2011 or 2010 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2010 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 498 (2) or (3) of the Companies Act 2006.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the condensed financial statements. Further details are included in the “Liquidity and going concern” section of the Operations and Financial Review.

**2. New and revised International Financial Reporting Standards**

**Adoption of new and revised International Financial Reporting Standards**

There are no other standards or interpretations which apply for the first time in the three months ended 31 March 2011 which have a material impact on the Group.

**3. Accounting policies**

**Basis of preparation**

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 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 2010.

In accordance with IAS 23, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**London Mining plc**Notes to the condensed consolidated financial statements *(continued)*

For the three months ended 31 March 2011

**4. Change in accounting policy in respect of joint ventures**

In the year ended 31 December 2010 London Mining changed its accounting policy for joint ventures from proportionate consolidation to equity accounting. This was due to management reassessing the manner in which it now manages its joint ventures, as well as the expected amendment to IAS31 'Interests in Joint Ventures' which is expected to eliminate the current choice between using proportionate consolidation or equity accounting, and mandating companies to use equity accounting only.

The presentational differences resulting from the change in accounting policy for the Group's investment in joint ventures on the Group's balance sheet and income statement for the three months ended 31 March 2010 (which relate wholly to the CGMR JV) are presented below.

This choice means that instead of the results of joint ventures being reported on a line-by-line basis in both the income statement and balance sheet, the Group's share of results of joint ventures and share of net assets of joint ventures are instead each disclosed on a single line. This change in accounting policy must also be applied retrospectively and previously reported financial information for the three months ended 31 March 2010 has been restated where appropriate in these financial statements. The change in accounting policy has had no impact on retained earnings or net assets.

<b>Income statement:</b>	Unaudited Three months ended 31 March 2010 \$'000	Unaudited Adjustments \$'000	Unaudited Three months ended 31 March 2010 Restated \$'000
Revenue	3,383	(3,383)	-
Cost of sales	(2,178)	2,178	-
<b>Gross profit</b>	1,205	(1,205)	-
Other income	659	(659)	-
Administrative expenses	(7,037)	192	(6,845)
<b>Loss from operations</b>	(5,173)	(1,672)	(6,845)
Loss on disposal of a subsidiary	(236)	-	(236)
Group's share of results of joint ventures and associates (net of tax)	(828)	1,417	589
Finance income	752	(138)	614
Finance costs	(602)	127	(475)
<b>Loss before taxation</b>	(6,087)	(266)	(6,353)
Taxation	(266)	266	-
<b>Loss for the period after taxation</b>	(6,353)	-	(6,353)

Amounts of revenue, cost of sales, other operating income, (in relation to management fees) administrative expenses, finance income, finance cost and taxation relating to the joint venture investment in China Global Mining Resources Hong Kong ("CGMR") were previously proportionately consolidated and have now been all classified as the Group's share of results of joint ventures and associates (net of tax).

**London Mining plc**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the three months ended 31 March 2011**

**5. Segment reporting**

The Group operates in four principal geographical areas, Sierra Leone, Greenland, Saudi Arabia, and Colombia.

**Segment revenues and results**

The following is an analysis of the Group's consolidated results from continuing operations by reportable segment. There is no segmental revenue in the three months ended 31 March 2011 and 2010 following the change in accounting policy. The key segment result presented to the Board of Directors for strategic decision making and allocation of resources is EBITDA. Group EBITDA represents earnings / losses from consolidated operations excluding depreciation and amortisation (and excludes the Group's share of results of joint ventures and associates (net of tax) and impairments). The results from the Chinese joint venture in 2010, prior to cessation of production are not included in EBITDA. Group EBITDA is analysed below.

The analysis of the Group's segmental result by reportable segment for the three months ended 31 March 2011 is as follows:

	<b>Segmental result</b>	
	<b>Unaudited Three months ended 31 March 2011 \$'000</b>	<b>Restated Unaudited Three months ended 31 March 2010 \$'000</b>
Iron ore projects - Sierra Leone	<b>(4,299)</b>	(1,335)
- Greenland	<b>(337)</b>	(164)
- Saudi Arabia	<b>(165)</b>	(184)
Coal project - Colombia	<b>(862)</b>	-
Unallocated costs including corporate	<b>(4,633)</b>	(4,940)
<b>Group EBITDA</b>	<b>(10,296)</b>	(6,623)
Depreciation and amortisation	<b>(345)</b>	(222)
<b>Loss from operations</b>	<b>(10,641)</b>	(6,845)
Loss on disposal of subsidiary	-	(236)
Fair value loss on deferred consideration	<b>(4,536)</b>	-
Share of results of joint ventures and associates (net of tax)	-	589
Finance income	<b>963</b>	614
Finance costs	<b>(1,192)</b>	(475)
<b>Loss before taxation</b>	<b>(15,406)</b>	(6,353)

EBITDA includes unallocated costs for non-cash charges in relation to share based payments (note 7). There are no other material non-cash charges included in EBITDA.

**London Mining plc**Notes to the condensed consolidated financial statements *(continued)*

For the three months ended 31 March 2011

**5. Segment reporting (continued)****Segment assets and liabilities**

	Unaudited			
	Segment assets		Segment liabilities	
	31 March 2011 \$'000	31 December 2010 \$'000	31 March 2011 \$'000	31 December 2010 \$'000
<b>Iron ore project</b>				
Sierra Leone	121,397	78,685	(8,234)	(9,627)
Greenland	32,073	30,644	(504)	(512)
Saudi Arabia	25,041	23,352	(1,775)	(789)
<b>Coal project</b>				
Colombia	54,840	55,136	(30,228)	(25,623)
	233,351	187,817	(40,741)	(36,551)
Unallocated including corporate	128,222	74,829	(101,503)	(9,813)
Assets classified as held for sale	28,072	28,072	-	-
<b>Total</b>	<b>389,645</b>	<b>290,718</b>	<b>(142,244)</b>	<b>(46,364)</b>

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investments in associates, convertible loans to associates and joint ventures and other corporate assets, such as cash. These assets are all classified as “unallocated including corporate”.

All liabilities are allocated to reportable segments other than liabilities held within the corporate head office.

**6. Taxation (unaudited)**

In the three months ended 31 March 2011 the Group has recognised a USD 0.3 million deferred tax credit (three months to 31 March 2010 USD nil) in relation to losses incurred by the Sierra Leone project.

**London Mining plc****Notes to the condensed consolidated financial statements (continued)****For the three months ended 31 March 2011****7. Administrative expenses**

The key components of administrative expenses are as follows:

	<b>Unaudited</b>	
	<b>Three Months ended 31 March 2011 \$'000</b>	Restated three months ended 31 March 2010 \$'000
Return Bonus Plan <sup>1</sup>	<b>253</b>	701
Share-based payments to consultants	<b>89</b>	-
Staff costs		
Share-based payments to staff, directors and other key management <sup>2</sup>	<b>513</b>	960
Directors and key management remuneration excluding share-based payments	<b>1,716</b>	876
Other staff costs	<b>2,445</b>	1,070
Consultancy and legal fees	<b>1,902</b>	833
Depreciation and amortisation	<b>345</b>	222
Fees payable to the Group's auditors for the audit of the Group's annual accounts	<b>56</b>	186
Fees payable to the Group's auditors for other services to the Group <sup>3</sup>	<b>70</b>	107
Fees payable to other audit firms	-	9
Operating lease costs – property	<b>289</b>	180
AIM listing fees (excluding amounts paid to auditors)	-	107

<sup>1</sup> Following the approval of the Return of Cash to shareholders of 200 pence per ordinary share at the General Meeting held on 10 November 2008, bonus awards were made under the Return Bonus Plan to all optionholders and two LTIP awardholders. Payments are due on vesting of the related option / LTIP award. The USD 0.3 million charge to the income statement in the three months ended 31 March 2011 represents the non-cash charge. There were no cash payments in the three month period (2010: USD 0.5 million) and a further USD 4.4 million is due (subject to the return bonus plan rules) of which USD 1.7 million will be covered by proceeds from the exercise of respective options granted in 2009.

<sup>2</sup> The amount in respect of share-based payments is non-cash and relates solely to equity settled arrangements.

<sup>3</sup> Other services undertaken by the Group's auditors included interim audit fees of USD 64,000 (2010 USD 23,000), taxation services of USD nil (2010: USD 28,000) and other services of USD 6,000 (2010: USD 56,000).

**London Mining plc**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the three months ended 31 March 2011**

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**8. Finance income**

	Unaudited	
	Three months Ended 31 March 2011 \$'000	Restated Three months ended 31 March 2010 \$'000
<b>Finance income</b>		
Interest income from cash and cash equivalents	54	52
Interest income from loans and receivables	-	123
Exchange gains	909	439
	<b>963</b>	<b>614</b>

**9. Finance costs**

	Unaudited	
	Three months ended 31 March 2011 \$'000	Restated Three months ended 31 March 2010 \$'000
<b>Finance costs</b>		
Unwinding of discount on deferred consideration	232	-
Financing charges	338	-
Exchange losses	622	475
	<b>1,192</b>	<b>475</b>

**London Mining plc**Notes to the condensed consolidated financial statements *(continued)*

For the three months ended 31 March 2011

**10. 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 period, excluding shares held by the EBT.

	<b>Unaudited</b>	
	<b>Three months ended 31 March 2011 \$'000</b>	Three months ended 31 March 2010 \$'000
Loss from continuing operations attributable to equity holders of the Company	<b>(15,139)</b>	(6,353)
<b>Weighted average number of ordinary shares in issue</b>	<b>111,994,794</b>	102,872,582
Loss per share USD	<b>(0.14)</b>	(0.06)

**(b) Diluted**

The outstanding options, warrants LTIP awards and convertible loan notes at 31 March 2011 and 2010 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share are the same for the current and prior period.

**London Mining plc**Notes to the condensed consolidated financial statements (*continued*)

For the three months ended 31 March 2011

**11. Intangible assets (unaudited)**

	Note	Software \$'000	Goodwill \$'000	Mineral rights and exploration and evaluation costs \$'000	Total \$'000
<b>Cost at 1 January 2011</b>		99	39,695	57,480	97,274
Additions		37	-	3,813	3,850
<b>31 March 2011</b>		136	39,695	61,293	101,124
<b>Amortisation at 1 January 2011</b>		33	-	-	33
Charge for the period		12	-	-	12
<b>31 March 2011</b>		45	-	-	45
<b>Net carrying value</b>					
1 January 2011		66	39,695	57,480	97,241
<b>31 March 2011</b>		91	39,695	61,293	101,079

The goodwill has arisen on the acquisition of London Mining Colombia.

## London Mining plc

Notes to the condensed consolidated financial statements (continued)

For the three months ended 31 March 2011

### 12. Property, plant and equipment (unaudited)

	Mineral properties \$'000	Land and buildings \$'000	Capital work in progress \$'000	Office equipment and furniture \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost at 1 January 2011</b>	26,677	445	50,088	1,068	4,981	83,259
Additions	7,743	225	33,261	199	366	41,794
Disposals	-	-	-	(3)	-	(3)
<b>31 March 2011</b>	<b>34,420</b>	<b>670</b>	<b>83,349</b>	<b>1,264</b>	<b>5,347</b>	<b>125,050</b>
<b>Depreciation at 1 January 2011</b>	-	-	12	549	1,580	2,141
Charge for the period	-	-	-	67	266	333
Disposals	-	-	-	(2)	-	(2)
<b>31 March 2011</b>	-	-	12	614	1,846	2,472
<b>Net carrying value</b>						
1 January 2011	26,677	445	50,076	519	3,401	81,118
<b>31 March 2011</b>	<b>34,420</b>	<b>670</b>	<b>83,337</b>	<b>650</b>	<b>3,501</b>	<b>122,578</b>

### 13. Assets reclassified as held for sale

	Unaudited	
	31 March 2011 \$'000	31 December 2010 \$'000
Investment in DMC	28,072	28,072
<b>Total assets held for sale</b>	<b>28,072</b>	<b>28,072</b>

On 23 April 2010, London Mining accepted an offer from Sable Mining Africa Limited ("Sable") for USD 24.8 million in cash for its 27.5% interest in DMC Group. The offer was subject only to regulatory approvals relating to change of control in DMC Group and anti-trust matters, the South African Regulatory Bank ("SARB") approval having been received in August 2010. As a result the investment has been reclassified as held for sale.

In addition London Mining entered into an agreement on 19 January 2010 with private investment vehicles of Heine van Niekerk and Pieter Wiese, (CEO and CFO respectively of DMC Group), which, inter alia, guaranteed that London Mining would receive total proceeds of USD 40.0 million in the event of the sale of DMC Group. London Mining has accepted the offer for USD 24.8 million cash from Sable for its 27.5% stake in DMC, and is therefore due under the private agreement a further USD 15.2 million, which it expects to be paid in Sable shares. Approval has been received from SARB in respect of enforcement of the downside protection agreement. No reversal of the previous USD 6.0 million impairment made in 2009, nor upwards revaluation of the carrying value has been made to reflect the full value of the protection agreement as London Mining is currently in the process of enforcing the downside protection agreement against the CEO and CFO.

**London Mining plc**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the three months ended 31 March 2011**

**14. Loans and receivables**

	Unaudited	
	31 March 2011 \$'000	31 December 2010 \$'000
Prepayments	5,965	5,794
Other receivables	485	629
	<b>6,450</b>	<b>6,423</b>

**15. Borrowings**

The senior, unsecured convertible loan notes were issued by the Company's wholly owned subsidiary London Mining (Jersey) Plc on 15 February 2011 at an issue price of USD 100,000 per note. The notes have a coupon of 8% per annum and are convertible into ordinary shares of the Company at any time between April 2011 and January 2016 at a conversion price of USD 7.71, representing a 38% premium to the share price of the ordinary shares at the date the convertible loan notes were issued (GBP 3.51) fixed at an exchange rate of 1.5922. The maturity date of the bonds is 15 February 2016.

The Company has a call option to redeem the shares at par plus accrued interest from 15 February 2014 if the share price exceeds GBP 6.29 for more than 20 out of 30 consecutive trading days or at any time if 15% or less of the bonds remains outstanding. Interest of 8% per annum will be paid semi-annually up until that settlement date.

The net proceeds received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company. The fair value of the liability component included in non-current borrowings at inception was calculated by discounting the future cash flows using a market interest rate for an equivalent instrument without a conversion option. The discount rate applied was 13%

	\$'000
Fair value of convertible loan notes	110,000
Issue costs	(4,874)
Net proceeds	105,126
Equity component	(17,556)
Liability component at date of issue	87,570
Interest charged	1,450
Liability component at 31 March 2011	89,020

The equity component of USD 17.6m has been credited to a convertible debt reserve.

The interest charged for the period is calculated by applying an effective interest rate of 13.4% being the implied interest rate required to accrete the USD 87.6 million debt component up to the par value of USD 110.0 million over the term of the bond.

All interest charges arising in the period on the convertible loan have been capitalised to property, plant and equipment as they relate to the cost of qualifying assets in relation to the Sierra Leone project.

**London Mining plc**Notes to the condensed consolidated financial statements (*continued*)For the three months ended 31 March 2011

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**16. Deferred consideration (unaudited)****a) *Deferred consideration***

The fair value of deferred consideration was determined by reviewing the performance criteria and assessing the probability of each milestone being achieved. Total deferred consideration of USD 29.1 million (31 December 2010: USD 24.3 million) comprises USD 5.0 million cash consideration, discounted to net present value and deferred equity consideration. At the 31 March 2011 the value is based on an expectation of 4,250,000 shares being payable and using the share price at 31 March 2011 of GBP 3.75 and has been discounted to net present value.

**b) *Fair value loss on deferred consideration***

The deferred consideration relates to the acquisition of London Mining Colombia with a total potential consideration of up to USD 5.5 million cash payments and the issuance of up to 6.3 million shares in London Mining plc.

At each reporting date the deferred consideration is re-stated to market value based on a re-assessment of the probability of the achievement of individual milestones and the fair value of cash and equity consideration. For the period from 31 December 2010 to 31 March 2011 there has been no change to probabilities. The USD 29.1 million (31 December 2010 USD 24.3 million) comprises 5.0 million cash consideration discounted to net present value and deferred equity consideration.

**London Mining plc**  
**Notes to the condensed consolidated financial statements (continued)**  
**For the three months ended 31 March 2011**

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

	Unaudited	
	<b>Three months ended 31 March 2011 \$'000</b>	Restated Three months ended 31 March 2010 \$'000
<b>(a) Reconciliation of the loss for the period to cash outflows from operating activities</b>		
Loss for the period	<b>(15,139)</b>	(6,353)
Adjusted for:		
Share of results from joint ventures and associates	-	(589)
Fair value loss on deferred consideration	<b>4,536</b>	-
Loss on disposal of a subsidiary	-	236
Depreciation and amortisation	<b>345</b>	222
Loss on sale of fixed assets	<b>1</b>	-
Finance income	<b>(963)</b>	(614)
Finance costs	<b>1,192</b>	475
Share-based payments expense	<b>602</b>	960
Tax credit – recognition of deferred tax asset	<b>(267)</b>	-
	<b>(9,693)</b>	(5,663)
(Increase) / decrease in current receivables	<b>(10)</b>	597
Increase in inventories	-	(16)
Increase / (decrease) in payables	<b>1,356</b>	(286)
<b>Cash outflow from operating activities</b>	<b>(8,347)</b>	(5,368)

**18. Related party transactions (unaudited)**

At 31 March 2011 the Directors of the Group and their related parties, and entities in which they had a beneficial interest, controlled 6.5% (31 December 2010: 6.5%) of the ordinary shares of the Company.

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

On 30 March 2010, London Mining announced the acquisition of the remaining 80% issued share capital of ICC (now 'London Mining (Colombia) Limited') for initial consideration of USD 5.5 million cash and 3.5 million newly issued London Mining shares. The acquisition was conditional on various completion requirements which were satisfied on 5 May 2010 when the acquisition was completed and initial consideration transferred. G Hossie, the Chief Executive Officer of London Mining plc had a beneficial interest of 12% in ICC, and therefore received 15% of the consideration paid for the remaining 80% acquired. As a consequence of this interest, Mr Hossie does not represent London Mining on the London Mining Colombia board and does not participate in any decisions of the London Mining board in relation to London Mining Colombia. As at 31 March 2011, the Group recognises deferred contingent consideration due to former shareholders of ICC, including G Hossie, of USD 29.1 million. G Hossie, would receive 15% of the deferred consideration payable, which at 31 March 2011 totals USD 4.4 million (31 December 2010 USD 3.6 million).

**London Mining plc**Notes to the condensed consolidated financial statements *(continued)*

For the three months ended 31 March 2011

**19. Capital commitments (unaudited)**

	<b>31 March 2011 \$'000</b>	31 December 2010 \$'000
Commitments for the acquisition of intangible assets	<b>1,241</b>	<b>578</b>
Commitments for the acquisition of tangible assets	<b>16,679</b>	<b>29,148</b>
Total	<b>17,920</b>	<b>29,726</b>

**20. Contingent liabilities**

As part of the Mining Lease Agreement between London Mining and the Government of Sierra Leone London Mining has entered into a Performance Bond in the form of a letter of credit of USD 1,000,000 which shall be encashed if London Mining fails to make substantial progress towards the re-opening of the Marampa. The Directors current expectation is that the Performance Bond will not be encashed.

As part of the acquisition of its Chinese joint venture, the vendor has an entitlement to receive further consideration of up to USD 38.6 million under consulting agreements payable subject to continuing employment for up to 8 years and available cash in CGMR after the priority repayment of the Group's USD 44.5 million initial investment and subsequent ongoing distribution rights. The Group has not recognised any provision at 31 March 2011 based on the Directors current expectation that the likelihood of the vendor being entitled to a material balance is remote.

As part of the disposal of the Brazilian operations, London Mining 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.