

LONDON MINING PLC

Chairman's report

2008 has proved to be an exceptional year in London Mining plc's relatively short history. The Group is now looking forward to an exciting future of transformational growth, despite an extremely difficult business environment.

The Group's transformation was facilitated by the sale of its Brazilian operations in August 2008, generating USD 809.9 million cash proceeds and crystallizing an effective 1200% return on the initial investment. Management achieved this record return through rapid development of the mine: increasing resources four-fold to 1 billion tonnes and increasing saleable production ten-fold; all of which was achieved in only 16 months from original acquisition.

I am very pleased to say that we have retained the key personnel responsible for delivering these exceptional results within London Mining. In particular Luciano Ramos, who was promoted during this last quarter to the COO of the Group's iron ore division. Luciano and his team are now focused on bringing our other iron ore projects through to production and were instrumental in delivering the feasibility of the first 5 mtpa phase of London Mining's Wadi Sawawin joint venture iron ore project, in Saudi Arabia. Their work has shown that even in the current economic climate, this project has a significant NPV of USD 1.6 billion, despite a relatively high capital expenditure requirement of USD 1.8 billion, and that they intend to create even more value through cost savings and expansion plans.

The Group remains committed to delivering value for its stakeholders, and on 10th November 2008, its shareholders approved the Return of Cash of £2 per ordinary share by way of a B and C share scheme. Following this return of total cash of GBP 219 million to shareholders on 24th November 2008, the residual proceeds provided the Group with a solid platform from which to invest in future growth opportunities and to generate near term cash flows; which is clearly a key priority.

Such projects included the Group diversification into Coal in Q3 this year, with initial investments in Columbia (ICC) and in Southern Africa (DMC). These acquisitions bring London Mining a potential attributable resource of 121 mT of both coking and thermal coal and opportunity for further consolidation in countries rich in resources.

We are also excited by the acquisition of an operating Chinese domestic iron ore mine, facilitated through our joint venture with Wits Basin. This opportunity is of great strategic importance to us as we will be one of the first western companies to own a profitable iron ore mine in a country which is the largest importer of iron ore in the world. We hope that this acquisition will complete successfully in the first quarter of 2009.

We should note that the Company is pursuing its investment programme in accordance with the terms presented to Her Majesty's Revenue and Customs ("HMRC") in respect of the Substantial Shareholder Exemption ("SSE"), which granted the disposal of the Brazil operations tax free status. Under these terms, the Company is required to reinvest a significant proportion of the proceeds into qualifying trading activities. Non compliance with the terms presented to HMRC may render the Company liable to capital gains tax on the disposal. The Board is satisfied that the Company is currently in compliance with the forecasts presented to HMRC, and that the SSE status will remain.

The last few months have proven to be an exceptionally difficult time for global business, in particular for the natural resources sector. The depressed market sentiment for short term commodity price outlook, combined with the global credit crunch has really shaken our industry and many companies

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that have actually survived are now facing significant funding constraints. With a strong balance sheet and funding sources identified for all projects, London Mining is extremely well placed to weather this storm and prosper through it.

It is our view that the fundamental long term outlook for Global Steel and bulk commodity market remains strong, despite this short term sentiment. The bulk commodity market remains underpinned by solid structural demand fundamentals, and we have seen fiscal stimulus in core regions such as China and the Middle East.

We believe our growing geographical footprint in each of these key regions: Saudi, China, Columbia and Africa; will mean that London Mining is exceptionally well placed to capitalize from such industry changes as we build our Company as an independent, attractive supply partner, providing an alternative to the major three iron ore producers.

Finally, I must thank Chris Brown for the significant contribution he has made in building London Mining up to where it is today. He has been instrumental in providing the Company with the necessary resources to take advantage of future growth opportunities it now faces. We are also very fortunate in having Graeme Hossie as Chris's replacement. Graeme, like Chris, was integral to the growth of the Company and is exceptionally well placed to steer us through this next phase. I very much look forward to Chris' continued support as a major shareholder and consultant.

This year has proven to be a monumental milestone in London Mining's relatively short history, and for the reasons stated above, we are very confident about the future.



CJ Knight

Chairman

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Review of operations

The principal operations of the Group during the period were the development and operation of mines for the Global Steel and Energy Industries, conducted through its two divisions: iron ore and coal.

IRON ORE DIVISION

Following the completion of the sale of its Brazilian operations, the Group remains focused on the development of its primary projects in Saudi Arabia, Greenland and Sierra Leone. Part of the residual cash proceeds from the Brazil disposal, after the return of capital to shareholders, will be applied to developing these assets, moving them from feasibility studies through to production. An operational update on each of these projects is provided below.

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 Saudi-based National Mining Company of Saudi Arabia (“NMC”). In February 2009, the Company announced that the first 5mtpa phase of the project is feasible. A strategic MOU signed in September 2008 with Saudi Advance Production for Iron & Steel Ltd (SAPIS) is expected to lead to the financing of the development capital and full off-take of production.

a) Feasibility Study Results

The feasibility study performed by independent mining engineers Ausenco/SEI on the first 5mtpa phase of the Saudi London Iron JV’s planned iron ore mining and pelletising operation in Saudi Arabia was completed January 2009. In addition, an independent market study to evaluate the market for DR pellets and pellet feed in the Middle East and North Africa Region (MENA) over the life of the SLI project was also completed. Highlights:

- First phase (5mtpa DR pellet) Wadi Sawawin project proved feasible
- Project economics indicate NPV of USD 1.6 billion, with capital expenditure of USD 1.8 billion
- Early funding commitment from Saudi partners would allow production in 2012
- External market study commissioned on Middle East region indicates significant supply gap for DR pellets over the next 10 years and strong long term economic growth prospects supporting potential project expansion up to 20 mtpa.

The key financials from the feasibility study indicate a potential NPV of USD 1.6 billion, even with conservative inputs and higher than ultimately anticipated CAPEX of USD 1.8 billion. In addition, the findings in the Market Study confirm possible pricing improvements over modeled long term pellet prices of USD 115/t FOB Red Sea, which would further improve the project economics.

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The first phase of the project is for 11.6mtpa (ROM) open pit mine, a 60 km slurry pipeline to beneficiation and pelletizing facilities on the Red Sea which will produce 5mtpa of DR pellets. Key findings of the feasibility study support the economic viability of this first phase and are as follows:

- 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 : US\$ 1.8 billion
- NPV : US\$ 1.6 billion
- Payback : less than 6 years

The above project represents the first 5mtpa phase of the total targeted production of 15-20mtpa. The further phases anticipate the combination of production of high quality DR pellet feed from London Mining's Isua project in Greenland with the ore to be produced from the initial and subsequent mining areas 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 maximize margins available in DR pellet production. London Mining's and the NMC's objectives are to create a globally competitive low cost, premium product operation.

The Market Study confirms that the MENA economic outlook is strong and that the market for DR pellets is undersupplied and growing. A sustained significant MENA supply gap of DR pellets is forecast in the medium term, even after planned new projects in the region, which should provide the opportunity for further production capacity expansion from 5 to 20mtpa. In addition, the long-term pricing outlook for DRI pellets (FOB Red Sea) of USD 115/t appears conservative given the forecast supply gap. The studies support SLI's objectives of creating a hub for DR pellet production in Saudi Arabia.

On 5 September 2008, London Mining announced that SLI was approved by SAGIA and had signed a strategic MOU with SAPIS for full off-take and financing of development capital. Key terms of this MOU include:

- SLI is to supply and SAPIS is to purchase the entire production of SLI for the lifetime of the mining rights, prices being based on international iron ore pellet price plus a premium
- SAPIS is to secure a developer to invest all capital required to bring Wadi Sawawin and Greenland projects into production. SAPIS has confirmed that it has secured a developer to fund both projects subject to Bankable Feasibility Studies.
- An equitable arrangement will be determined to bring Greenland into the SLI group
- Long term low cost debt funding to be provided.

The terms of this MOU will mean the significant capital expenditure requirements of these large projects can be funded with low cost capital.

London Mining will now work with its joint venture partner, NMC, to secure the funding for commencement of construction of this first phase and commitment to a fast track implementation plan from offtake/funding partners. Early financial commitment would see production in 2012.

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b) Further Exploration Activity

A 5000m diamond drilling programme is underway with the primary objective of increasing reserves at the first stage minesite so as to allow the project expansion from 5MTPA to 10MTPA of pellets from Wadi Sawawin ore. An exploration drilling campaign is planned to evaluate resource potential on the 3 exploration licenses held by SLI.

ISUA (100%), GREENLAND

Bonzi Yokomizo was appointed Project Manager for the Isua project in November 2008. Bonzi has extensive project management experience in iron ore and in cold weather regions. He will be based in Brazil and Greenland.

During the quarter, activities focused on progressing exploration and scoping studies. Field activities in Greenland are highly seasonal, with activities significantly reduced during the colder winter months. Prior to the expected wind-down in activities, the successful season included:

- A presentation to the BMP and NERI in December 2008, of the first year's results of environmental and archaeological surveys within the general selected area with focus in the logistics for pipeline and roads access routes. Additionally, they were presented the global project master plan and the principal activities of engineering, environment and external affairs for the year of 2009.
- Erection of a 50 man camp at Aninganeq, which will become the main service centre for Isua. The camp is currently jointly used by Alcoa who are examining the hydro-electric potential nearby.
- A drilling programme at the mine site with two diamond core drill rigs.
- Examination of a number of satellite ore bodies to the main ore body, showing potential to increase the resources.

Currently the Company is putting together a programme for the current work season, which will include much of the preliminary engineering leading towards completing a pre feasibility study and feasibility study and an extension to existing reserves.

Synergies between the very high grade low impurity magnetite concentrate from Isua and the ore from the company's Wadi Sawawin project indicate the mixing of both ores are expected to produce a high quality product. Testwork on the combined pellet feeds and resulting pellets are underway. It is anticipated that the full production of Isua pellet feed may be shipped to SLI pelletising facilities on the Red Sea.

MARAMPA (100%), SIERRA LEONE

a) Mining Lease Coordinates and Railway Dispute

Discussions are currently underway with the Government of Sierra Leone to resolve any outstanding issues so that the company may invest to establish production and exports within a 12-18 month timeframe. Discussions include efforts to resolve issues on boundary disputes and conflicting contracts and agendas relating to refurbishment of railways. The majority of London Mining's resources at Marampa are not affected by any disputes. The option of repairing the former railway previously used by the mine in the 1970s but now in disrepair is not likely to be viable in the short

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term due to conflicting intentions of a number of parties and proposals for the development of rail in the area which are not expected to lead to a viable near term rail transport solution. It is London Mining's view that alternatives offer earlier and more certain solutions.

b) Logistics

London Mining's plans have always been to begin production as soon as possible and expand operations in phases funded from operational cashflows. The company is in the final stages of reviewing optimal logistics routes which will allow for production within 12-18 months. These involve road transport to barge loading facilities on nearby rivers for shipment to offshore floating cranes. Panamax or Capesize ships will be able to be loaded to transport the company's products to off-take partners in China. The Company has received turnkey solution proposals for barge transport and shiploading from maritime services providers which would incur costs on a per tonne basis and which can be established within approximately 12 months.

c) Resource Drilling

The Auger Drilling program at the Marampa mine for revalidation of tailings reserves has been completed and a total of 138 samples were shipped to an accredited laboratory. The results from this sample were received in January 2009 and have confirmed the results obtained earlier that there exists 39 Million Tonnes of tailings above water table and 24.42 million tonnes of tailings below water table. 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 make the resource validation confirm to JORC standards. An additional Drill machine is expected to be pressed into service by the end of March 2009

d) Mine Development

Basic engineering for the beneficiation plant is now expected to be completed by Eriez, USA by the end of February 2009. Offers for major Plant equipments required for the plant have been received and are under finalization. Tenders for the detailed engineering and construction of the beneficiation plant, including project supervision and management, are available and will be finalized once the Basic Engineering is completed.

Approximately 299,000 tonnes of tailings were reclaimed and stockpiled by 31 December 2008 and a further 80,000 tonnes in January 2009.

A site based Chemical Laboratory has been commissioned to analyze the samples being obtained from Exploration Drilling. A detailed EIA study is underway and is expected to be completed by April 2009.

EL ARTILLERO (55%), MEXICO

Project Review Update

Due to lower than anticipated mineable reserves being indicated by the in-fill drilling programme carried out in Q4 08, the Company is reviewing its position with the project. Unfortunately, most of the infill-drilling mineralization either showed contamination by Phosphorus (P) and Aluminium (Al),

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both of which are deleterious elements in steel production, or it had a poor waste to ore ratio. Different concentration tests were run on the contaminated material with poor results. At this stage, the total mineable reserves have been reduced to 600,000t which the Company considers to be subscale. Market conditions have also led to a reduction in achievable margins.

The Company considers that its cash resources can be better employed for higher return elsewhere in the group portfolio and as such is not expecting to fund the capex requirement of the project. With an investment to date in the project of approximately \$900,000, the Company and its operating partner shareholders are reviewing other financing options, including contract mining partner funding, as well as third party equity funding, but at this point remain confident of recovering its investment in this project

COAL DIVISION

London Mining made its first coal acquisitions during the third quarter to 30 September 2008, as part of its overall strategy to become a global, diversified supplier to the Steel and Energy industries. Initial interests in DMC Energy and International Coal Company were purchased with a view to accelerate production of their respective promising coal projects. An overview of the respective assets and operational progress made during the period is set out below.

DMC ENERGY (28%), South Africa

On 8 August 2008, London Mining announced that it had entered into a conditional contract to acquire, after reorganization, a 28% holding in DMC Energy Pty Ltd (DMC Energy), a South African company which will hold a number of coal assets in Southern Africa. London Mining holds certain rights to increase its participation via further staged investment as well as certain anti-dilution and control provisions as a significant shareholder.

a) Rietkuil (70% DMC Energy)

Ashante Mineral Resources (Pty) Ltd, which is a 70% subsidiary of DMC Energy, has acquired the prospecting rights on the farm Rietkuil 249 IR in the Delmas district, 8 km south east of the town of Delmas and 80 km east of Johannesburg. Rietkuil is adjacent to the Exxaro's Leeupan Mine is just north of the Delmas Colliery. High tension power lines are close to the property, and the rail spur to the Delmas Colliery runs over Rietkuil, as does the R50 main road from Delmas to Leandra.

Detailed logs for 51 boreholes have already been obtained from the Council for Geosciences and a further 107 boreholes were drilled by DMC Energy by the end of 2008. The new information revealed the presence of a substantial dolerite sill that cuts through the coal seams in various locations creating large zones of burnt coal, lean coal and deep weathering. This will have a dramatic effect on the mineable resource. Coal samples have been submitted for Raw and washed analysis, which will be used to determine the product range and tonnage that can be extracted from this project. In some areas the new boreholes intersected all 5 seams known to exist in this coal field. DMC decided to follow the

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industry standard of naming convention and make changes to the old boreholes. Early stage resource modeling has resulted a total 191 MT of “Measured and Indicated” resource¹.

b) Limpopo (70% DMC Energy)

DMC Coal Mining (Pty) Ltd, which is to become a 70% subsidiary of DMC Energy, holds prospecting rights on 9 farms in the Limpopo Coal Field, close to the Limpopo River, approximately 65 km west of the town Musina in the Limpopo Province of South Africa. These farms are close to the Overvlakte Project of Coal of Africa Ltd as well as the new joint venture mine in Zimbabwe between Limpopo Coal & Tamuka & Nucoal.

High resolution aeromagnetic data has been purchased from the Council for Geoscience and interpreted to delineate the dykes. A 100 metre grid geomagnetic survey has been acquired and a magnetometer survey conducted to further pin point the location of these dykes. The interpreted dykes exhibit five events of intrusion, based on the relative age relationships. The dyke swarm is dense on the south eastern corner of the survey area and sparsely dense in the central part. The high occurrence of dykes in this area can lead to the burning of the coal; coal with high ash percentage or even the total replacement of the coal seam. The high density of the south eastern corner can result in poor coal quality in the area. The better quality coal will be more likely located in the central part of the area on the southerly direction.

Exploration commenced on the South Block in May 2008. Initial drilling was done along the boundaries to get an idea of the coal occurrence. A total of 45 boreholes at roughly 1km grid spacing have been completed.

A structural map of the Limpopo concessions southern section has been compiled in order to elucidate on the morphology of the dolerite dyke and sill swarm found within host rock units. This clearly demonstrates a high to medium dolerite intrusive presence effectively dividing the area into compartments. Field measurements of exposed dolerite suggest a general dip value of near 90 degrees that seems to follow a general regional trend.

Initial modeling resulted in a “Indicated” Coal Resource for the Southern Block of 113 million tonnes.

c) Pixley ka Seme (70% DMC Energy)

DMC Coal Mining (Pty) Ltd, which is to become a 70% subsidiary of DMC Energy, has obtained prospecting rights to the Pixley ka Seme Project. Pixley ka Seme is situated on the boundary between Mpumalanga and KwaZulu Natal, between the towns of Volksrust and Piet Retief, and on a local scale, between the towns of Dirkiesdorp and Luneburg, in South Africa.

A single torbanite seam and several coal seams are developed in the area. These are labelled from top to bottom as Torbanite, Eland, Fritz, Alfred, Gus, Dundas and Coking.

¹ The density of boreholes with quality data generally approximates to a spacing of 500m or less in four of the resource blocks. According to JORC guidelines this would allow the resource to be classed as “measured”. It cannot be called a JORC Measured as it has to undergo certain stringent audit checks, which include quality and thickness cut offs being applied to the resource

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Torbanite has been known to exist in the area for a long time. Reports refer to some adit sampling by locals as early as 1910. During the late 1970's to 1986 two companies (Savage & Lovemore and Industrial Development Corporation (IDC)) drilled for torbanite and coal. IDC was specifically interested in the torbanite and drilled in the order of 85 holes to investigate the potential of the torbanite as a source of oil. During 1986 the S.A. Geological Survey under the guidance of A.D.M. Christie drilled six boreholes for detailed stratigraphic, petrographic and assaying to further understand the depositional environment of this torbanite formation.

A large torbanite deposit is situated on the farms Spruitfontein, Weltevreden and Zuurbron. DMC planned to drill 105 boreholes on Spruitfontein and Weltevreden, with approximately 40 more on Zuurbron, a total of about 7,000 metres.

Borehole information from over 200 boreholes on the coal deposits was obtained from the Council for Geosciences and other companies. Of these 164 provide positive information that was used to model the coal resource for this project. Over 600 float analysis was also obtained and total resources of coal and Torbanite are 307mt. Legal action to challenge the validity of the permit issued to DMC Coal Mining has been brought by Nature Conservation, The Ekangala Grassland Trust and some affected farmers. Due to this action no work is possible on site. DMC Coal Mining is defending its rights by taking appropriate legal steps. As soon as the situation is resolved and DMC Coal Mining is cleared to proceed, exploration drilling is planned begin on the farms Spruitfontein and Weltevreden.

INTERNATIONAL COAL COMPANY LTD. (20%), Colombia

On 15 September 2008 it announced a 20% investment into International Coal Company Ltd. ("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 is in negotiations with ICC regarding the fast track development of coke production from the 90% owned Carbo Condor coking coal project in 2009. Currently, supply agreements are being negotiated with local artisanal coking coal miners for early supply to the battery of coke ovens being completed by ICC in phases over the next 12-18 months. An engineering study has now completed and an annual production of 300,000 tonnes of coke is estimated from 208 ovens.

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

FURTHER GROWTH OF LONDON MINING GROUP ASSETS

The Company is considering acquisitions of cash flow producing iron ore and coal businesses with strong potential for significant near term increased production by the application of capital and management resources.

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China Global Mining Resources JV

On 22 August 2008, the Company announced that it has signed a letter of intent with Wits Basin Precious Minerals, Inc. ("Wits Basin") which may result in London Mining becoming a joint venture partner in the iron ore project in Ma Anshan in the People's Republic of China. The Company further announced on 14 January 2009 that it had entered into a conditional subscription agreement under which it has agreed to invest USD45 million to acquire 50% of the joint venture company, China Global Mining Resources (BVI) Limited ("CGMR"). The subscription and loan will be funded from London Mining's existing cash resources. London Mining will receive a preferential return of capital until its investment is repaid.

CGMR has entered into certain escrow arrangements in the Peoples Republic of China (PRC) in respect of the acquisition 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 PRC. It is a condition of completion of the acquisitions that CGMR will also be 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. The completion of the subscription agreement with Wits Basin and the acquisition of XNS and Sudan are subject to certain closing conditions, including the receipt of business licences and permits relating to the transfer and the operation of the mining properties. It is anticipated that the acquisition of XNS and Sudan will complete by the end of the first quarter of 2009.

The CGMR joint venture aims to expand production from the existing profitable iron ore operations, to acquire and consolidate further resources in the location and to establish world standard professional mining practices and efficiencies. Cost reduction and expansion of the existing operations (targeting a run rate of 1.2mtpa production capacity during 2011), combined with a more focussed marketing strategy are expected to ensure operating margins remain strong despite the near term outlook for lower commodity prices. The close proximity to local steel mills of the mines enables premium pricing due to low transportation costs.

The XNS mine is located approximately 44km southwest of Nanjing and 24km ESE of Maanshan, in the Anhui Province. The magnetite iron ore mineralisation occurs within a dioritic porphyry body, which has intruded into andesite and may be covered by tuffaceous breccia and tuff. The open pit mine currently mines approximately 1.2-1.5 million tpa of ore and a similar amount of waste, with mining and stripping costs estimated at 20-25Yuan RMB/t (USD 2.92-3.65/t). Resources have been estimated at 31.2million tonnes of magnetite ore averaging 23.64% Total Fe by No. 322 Geological Brigade to Chinese standards (not JORC) in March 2007.

Low grade ores and waste are crushed and magnetically concentrated on site at the preliminary concentrator, before being trucked with higher grade ores approximately 7km on a concrete paved road to the Sudan No.1 and No.2 concentration plants, located in the Jiangsu Province, where there is sufficient tailings capacity. The ore is then concentrated on a 3-3.5:1 basis to produce approximately 400,000tpa of 62-63% Fe product. The close proximity to local steel mills enables premium pricing due to the low transportation costs. In 2008, sales revenues peaked at USD 130/t and in early 2009 average around USD 85/t, with total operating costs averaging around USD 50-60/t of concentrates.

CGMR has engaged a highly professional management team that includes Mr William Green, Mr Loong Keat Tan, and Dr Clyde L Smith to manage the operations. Mr Green is a graduate of the University of Pennsylvania's Wharton School of Business and has more than 15 years of business

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experience in Asia. Mr Tan will guide the mining operations: a former mining executive who served Rio Tinto for 21 years as General Manager of various projects including Hamersley Iron's Mount Tom Price Mine in Western Australia and Bougainville Copper Ltd.'s mine in Papua New Guinea. Mr Tan also served Rio Tinto as head of their Hong Kong and Beijing offices. Dr Smith, who will guide geologic studies, is an experienced mining industry geologist who has been responsible for discovery of five ore deposits in Canada, the U.S., and Mexico.

As at 29 October 2008, XNS and Sudan had approximately 400 employees.

CGMR intends to create additional value by reducing costs through operating efficiencies and executing expansion plans, with a run rate target for XNS of 1.2 mtpa production capacity during 2011. Further production increases and efficiencies would arise from the addition of a new mining operation at Matang, located about 9km WSW of the Sudan plant. Matang has a 21.88million tonnes magnetite resource averaging 25.15% Total Fe estimated by No. 322 Geological Brigade to Chinese standards (not JORC) in December 2003.

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 adjustment) in return for 100% of the share capitals of XNS and Sudan. Of this consideration, up to approximately USD 17.48 million is deferred. One of the sellers will also receive up to a further USD 53.95 million (subject to adjustment) in compensation under a consulting agreement with CGMR, of which USD 10 million is payable on completion 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 45 million initial investment is repaid. Mr Lu Benzhao will initially remain as a director of XNS and Sudan.

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Financial Review

Corporate

On 19 August 2008, the Group completed the sale of its Brazilian operations to ArcelorMittal for cash proceeds of USD 809.9 million, crystallizing a net gain of USD 664.2 million. As a result of this transaction, and as part of its commitment to crystallize maximum value for shareholders, the Company proposed a Return of Cash of GBP 200 pence per ordinary share by way of a B and C share scheme. This scheme was approved by shareholders at the General Meeting on 10 November 2008 and was paid on 26 November 2008. In total GBP 219.1 million cash was returned to shareholders, comprising GBP 151.5 million declared as a dividend on the B shares and GBP 67.6 million paid on the redemption of C shares.

On 1 September 2008, the Company changed its functional currency from GBP to USD. This change was made following the disposal of the Brazilian operations, the proceeds of which were received in USD. The sale provided the Company with significant USD funds to reinvest in developing its remaining projects through to production and for the pursuit of additional investment opportunities within the global energy and steel industries. The directors consider the USD to most faithfully represent the economic effects of events, conditions, future direction and investment opportunities in the Company. Concurrent with this change in functional currency, the Group adopted the USD as its presentation currency and consequently the financial information for the year ended 31 December 2007 has been presented as 'Restated'.

The USD \$809.9 million proceeds from the disposal were received in August 2008 when the USD: GBP exchange rate was 1.8621. In order to mitigate exposure to foreign exchange movements on this GBP denominated distribution, the Company converted USD \$400 million to GBP 224 million at a rate of USD: GBP 1.7875 in September 2008. Although the Company had fixed its GBP cash flow exposure for the Return of Cash, an accounting foreign exchange loss was recorded on declaration of the dividend in November 2008 following the significant devaluation of GBP, against the USD to 1.57 USD: GBP. At balance sheet date, the Group no longer had any significant non-USD cash deposits which would give rise to further currency exposure.

Income statement

The Group's profit for the year ended 31 December 2008 of USD 586.1 million largely comprises:

- USD 664.2 million net profit arising on the sale of the Brazilian operations to ArcelorMittal,
- USD 4.9 million net operating results from Brazil prior to its disposal; and
- USD 83.0 million loss from continuing operations.

LONDON MINING PLC

The USD 83.0 million loss from continuing operations for the year to 31 December 2008 compares to an equivalent continuing loss of USD 19.6 million for the comparative period. The current year loss largely comprises:

- USD 10.7 million non cash share-based payment awards to directors, consultants, and key management;
- USD 4.1 million of salary remuneration to directors and employees;
- A non recurring net USD 48.1 million exchange loss, largely arising on the GBP Return of Cash to shareholders (USD 46.6 million) following the significant devaluation of GBP to USD; and
- USD 16.1 million charge for the London Mining Return Bonus plan (RBP); partially offset by
- USD 8.8 million net interest received on cash and treasury deposits.

The London Mining Return Bonus Plan (the “Return Bonus Plan”) was adopted by the Company on 4 September 2008. Under the Return Bonus Plan, cash bonus awards can be made to participants in the London Mining employee share-based remuneration schemes (“the schemes”) if either a special dividend or return of share capital is made by the Company (the “Return of Cash”) after the date of grant of an award under the schemes but prior to the exercise / vesting of the related award and no compensating adjustment is made to such an award to take account of the Return of Cash. Participants in the London Mining Long Term Incentive Plan (“LTIP”) have the choice to participate in the Return Bonus Plan or to have a compensatory adjustment made to the number of their underlying awards.

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. The bonus awards granted under the Return Bonus Plan entitle participants to receive a cash payment equal to the number of ordinary shares under the related option / LTIP award multiplied by 200 pence due per ordinary share under the Return of Cash. The bonus awards vest and lapse in accordance with the terms of the related scheme award held under the schemes / LTIP, and are accounted for in accordance with the Group’s policy for share-based payments, set out above.

In aggregate, USD 13.3 million has been paid in the year ended 31 December 2008 and a further USD 7.1 million is due (subject to the Return Bonus Plan rules), payable over the next 3 years.

Cash flow

Total cash increased during the year to 31 December 2008 by USD 225.6 million to USD 316.3 million at year end. This net increase is largely due to the receipt of USD 809.9 million cash proceeds in August 2008 from the sale of the Brazilian operations, offset by related transaction costs, repayment of related debt and the GBP 219.1 million Return of Cash to shareholders.

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

- USD 18.0 million net out flow from operating activities;
- USD 697.1 million net inflow from investing activities;
- USD 382.5 million net out flow from financing activities; and
- USD 71.1 million net foreign currency loss following the devaluation of GBP to USD in Q408.

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LONDON MINING PLC

Significant items in the Group's cash flows from operating and investing activities include:

- USD 809.9 million cash proceeds received in August 2008; less
- USD 32.8 million of related transaction costs.
- USD 21.0 million net investments in associates comprising:
 - USD 15.9 million purchase of 39.3% direct interest in DMC Coal; and
 - USD 5.1 million purchase of 20% interest in ICC.
- USD 19.5 million loans to joint venture and associate partners, including:
 - USD 18.5 million payment for a secured convertible loan issued by DMC Energy, which, upon receipt of South African regulatory approvals and the parties having entered into a shareholders' agreement may be converted along with the Group's 39.3% interest in DMC Coal into 28% equity of DMC Energy; and
 - USD 1.0 million provided to Wits Basin for associated costs for the Joint venture iron ore project in Ma Anshan, in the People's Republic of China; and
- USD 21.9 million purchase of property, plant and equipment within Brazil prior to its disposal, classified within discontinued operations.

Other Significant items in the Group's cash flows from financing activities include:

- USD 19.8 million cash received from the issue of ordinary shares arising on exercise of warrants and options; off set by
- USD 67.6 million repayment of the NOK Callable and Puttable bonds (although physical repayment was on 1 October 2008, the debt is treated as "defeased" from a legal perspective as cash was transferred from London Mining to a nominee account prior to repayment)

The cash flows also include USD 71.1 million of exchange losses arising mainly on translation into USD of the GBP deposits held to settle the GBP Return of Cash to shareholders, following the devaluation of GBP against USD in Q4 2008.

Liquidity and going concern

At 31 December 2008, London Mining had cash of \$316.3 million and no borrowings. Under the terms of the Substantial Shareholder Exemption, which granted the disposal 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 within 2009, to meet these requirements. London Mining has a number of projects under development but minimal contractual commitments at 31 December 2008. 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.

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LONDON MINING PLC

Subsequent events

China

On 14 January 2009, the Company entered into a conditional subscription agreement with Wits Basin Precious Minerals Inc ("Wits Basin") to become a joint venture partner for its iron ore projects in the People's Republic of China ("PRC"). Under the subscription agreement it has agreed to subscribe USD 39.25 million for 50% of the shares in the joint venture company, China Global Mining Resources (BVI) Limited ("CGMR BVI"). It has also agreed to make a loan of USD 5.75 million to Wits Basin. The subscription and loan will be funded from London Mining's existing cash resources.

CGMR BVI has entered into certain escrow arrangements in the PRC in respect of the acquisition 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 PRC. It is a condition of completion of the acquisitions that CGMR BVI will also be granted the right to acquire a further iron ore mining company, Ma Anshan Zhaoyuan Mining Co Ltd, which is owned by the sellers of XNS and Sudan.

The completion of the subscription agreement with Wits Basin and the acquisitions of XNS and Sudan are subject to certain closing conditions, including the receipt of business licences and permits relating to the transfer and operation of the mining properties. It is anticipated that the acquisitions of XNS and Sudan will complete by the end of the March 2009.

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.

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London Mining plc
Condensed consolidated income statement

		Unaudited	Unaudited & restated (see note 3)	Unaudited	Unaudited & restated (see note 3)
	Note	Three months ended 31 December 2008 \$'000	Three months ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Continuing operations					
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses	8	(22,001)	(6,044)	(36,815)	(13,044)
Loss from operations		(22,001)	(6,044)	(36,815)	(13,044)
Share of results of associates (net of tax)		(305)	-	(386)	-
Finance income	9	5,067	3,458	28,860	6,650
Finance costs	9	(51,401)	(3,799)	(74,669)	(13,174)
Loss before taxation		(68,640)	(6,385)	(83,010)	(19,568)
Taxation		-	(32)	-	(20)
Loss for the period - continuing operations		(68,640)	(6,417)	(83,010)	(19,588)
Discontinued operations					
Profit from discontinued operations	11a	-	1,052	4,897	2,618
Post-tax profit on disposal of discontinued operations	11b	-	-	664,194	-
Profit for the period - discontinued operations		-	1,052	669,091	2,618
(Loss) / profit for the period - total Group		(68,640)	(5,365)	586,081	(16,970)
Attributable to:					
- Equity holders of parent		(68,603)	(5,365)	586,118	(16,970)
- Minority interest		(37)	-	(37)	-
		(68,640)	(5,365)	586,081	(16,970)
Return of capital to shareholders					
Dividends paid on 'B' shares	5	(237,820)	-	(237,820)	-
Redemption of 'C' shares	5	(106,116)	-	(106,116)	-
		(343,936)	-	(343,936)	-
Basic & diluted earnings per share (cents per share)					
From continuing operations	10	(63.90)	(6.42)	(80.66)	(25.42)
From discontinued operations	10	-	1.05	650.41	3.40
		(63.90)	(5.37)	569.75	(22.02)

London Mining plc
Condensed consolidated balance sheet

		Unaudited	Unaudited & restated (see note 3)
		As at 31 December	
	Note	2008	2007
		\$'000	\$'000
Non-current assets			
Intangible assets		20,161	9,489
Property, plant and equipment		1,137	81,404
Investment in associates		20,610	402
Inventories		449	20,437
Receivables		-	229
Convertible loan receivable		18,500	-
		60,857	111,961
Current assets			
Inventories		8	517
Receivables		2,735	2,945
Cash and cash equivalents		316,286	90,718
		319,029	94,180
Total assets		379,886	206,141
Current liabilities			
Borrowings	12	-	3,020
Trade and other payables		11,821	8,173
		11,821	11,193
Non-current liabilities			
Borrowings	12	-	82,101
Provisions	13	-	1,653
Deferred tax liabilities		32	1,112
		32	84,866
Total liabilities		11,853	96,059
Total net assets		368,033	110,082
Equity			
Share capital	14	398	362
Shares held in employee benefit trust		(5,159)	-
Share premium account		19,954	101,093
Other reserves		19,543	29,870
Retained earnings / (losses)		332,858	(21,243)
Equity attributable to equity holders of the parent		367,594	110,082
Minority interest		439	-
Total equity		368,033	110,082

London Mining plc
Condensed consolidated statement of changes in equity

	Share capital \$'000	Shares held in employee benefit trust \$'000	Share premium account \$'000	Retained Earnings \$'000	¹ Warrant and option reserve \$'000	² Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
Balance at 31 December 2006	185	-	5,747	(4,326)	564	494	2,664	-	2,664
Changes in equity for year ended 31 December 2007									
Exchange difference arising on change in functional currency	-	-	-	-	-	9,212	9,212	-	9,212
Exchange difference on consolidation of non USD operations	-	-	-	-	-	8,671	8,671	-	8,671
Recognition of share-based payments	-	-	-	-	6,775	-	6,775	-	6,775
Issue of share capital (net of expenses)	177	-	95,346	-	4,207	-	99,730	-	99,730
Transfer on redemption of convertible loan notes	-	-	-	53	(53)	-	-	-	-
Loss for the year	-	-	-	(16,970)	-	-	(16,970)	-	(16,970)
Balance at 31 December 2007	362	-	101,093	(21,243)	11,493	18,377	110,082	-	110,082
Changes in equity for year ended 31 December 2008									
Exchange difference arising on change in functional currency	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Exchange difference on consolidation of non USD operations	-	-	-	-	-	6,168	6,168	-	6,168
Recognition of share-based payments	-	877	-	-	11,018	-	11,895	-	11,895
Issue of share capital (net of expenses)	36	-	24,977	2,586	(7,450)	-	20,149	-	20,149
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	-	-	-	586,118	-	(14,681)	(14,681)	-	(14,681)
Profit for the year	-	-	-	586,118	-	-	586,118	(37)	586,081
Balance at 31 December 2008	398	(5,159)	19,954	332,858	15,061	4,482	367,594	439	368,033

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

²This includes exchange differences arising on change in functional currency of the company

London Mining plc
Condensed consolidated cash flow statement

		Unaudited	Unaudited & restated (see note 3)
		Year ended 31 December	
	Note	2008 \$'000	2007 \$'000
Cash flows from operating activities			
Net cash outflow from operating activities	16	(23,917)	(3,572)
Interest received		8,747	2,041
Interest expense		(7,648)	(3,683)
Net cash outflow from operating activities – continuing operations		(22,818)	(5,214)
Net cash inflow from operating activities – discontinued operations		4,845	3,229
Net cash outflow from operating activities – total Group		(17,973)	(1,985)
Cash flows from investing activities			
Proceeds from sale of discontinued operations	11b	809,901	-
Cash disposed on sale of discontinued operations	11c	(5,898)	-
Transaction costs paid on sale of discontinued operations		(32,815)	-
Acquisition of subsidiaries, net of cash acquired		(227)	(67,312)
Investment in associates		(21,475)	(402)
Loans to associates		(100)	-
Loans to joint venture and associate partners		(19,500)	-
Payments to acquire intangible assets	16	(10,045)	(2,622)
Purchase of property, plant and equipment		(804)	(630)
Net cash inflow / (outflow) from investing activities – continuing operations		719,037	(70,966)
Net cash outflow from investing activities – discontinued operations		(21,899)	(4,939)
Net cash inflow / (outflow) from investing activities – total Group		697,138	(75,905)
Cash flows from financing activities			
Dividends paid on 'B' shares		(228,489)	-
Redemption of 'C' shares		(101,952)	-
Shares redeemed to the Employee Benefit Trust		3,217	-
Purchases of shares by the Employee Benefit Trust		(6,036)	-
Proceeds from issue of Ordinary shares		-	95,084
Proceeds from issue of warrants and share options		19,831	4,646
Callable and Putable Bonds 2007/2012 issued		-	60,333
Convertible loan notes redeemed		-	(3,304)
Repayment of borrowings	12	(67,598)	(2,724)
Net cash (outflow) / inflow from financing activities – continuing operations		(381,027)	154,035
Net cash outflow from financing activities – discontinued operations		(1,500)	-
Net cash (outflow) / inflow from financing activities – total Group		(382,527)	154,035
Net increase in cash and cash equivalents		296,638	76,145
Cash and cash equivalents at beginning of year		90,718	558
Exchange differences		(71,070)	14,015
Cash and cash equivalents at end of year		316,286	90,718

London Mining plc

Notes to the condensed consolidated financial statements

1. General information

The financial information for the year ended 31 December 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. Statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar of Companies. The auditors have reported on these accounts; the report was unqualified and did not contain a reference to any matters to which the auditors drew attention by way of emphasis of matter and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The audit of these statutory accounts for the year ended 31 December 2008 is not yet complete. These accounts will be finalised on the basis of the financial information presented to the directors in these condensed consolidated financial statements and will be delivered to the Registrar of Companies following the Company's annual general meeting.

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 IAS 34 'Interim Financial Reporting'.

The same accounting policies 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 2007 with the addition of IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'.

On 19 August 2008, the Group completed the sale of its Brazilian operations to ArcelorMittal. The results of the Brazilian operations have therefore been treated as 'discontinued' and have been disclosed in accordance with IFRS 5. The profit for the period of the Brazilian operations has been disclosed as a single amount in the consolidated income statement and the cash flows attributable to the operating, investing and financing activities has been disclosed separately in the consolidated cash flow statement. Comparative figures in the consolidated income statement and consolidated cash flow statement have also been restated to disclose the Brazilian operations separately.

3. Functional and presentation currencies

On 1 September 2008, the Company changed its functional currency from GBP to USD. This change was made following the disposal of the Company's Brazilian operations in August 2008, the proceeds of which were received in USD. The sale provided the Group with significant USD funds to reinvest in developing its remaining projects through to production and for the pursuit of additional investment opportunities within the global energy and steel industries. The directors consider the USD to represent, most faithfully, the economic effects of events, conditions, future direction and investment opportunities in the Group. Concurrent with this change in functional currency, the Group adopted the USD as its presentation currency and consequently the financial information for the year ended 31 December 2007 has been presented as 'Unaudited and restated'.

In accordance with IFRSs, the change in functional currency in the Company has been accounted for by translating items in the consolidated income statement at the average USD / GBP exchange rate for 1 January to 31 August 2008, of USD 1.966 :GBP 1. Items in the consolidated balance sheet and reserves were translated at the USD / GBP exchange spot rate on 1 September 2008 of USD 1.824 :GBP 1.

For the purposes of changing the Group's presentation currency, the comparatives for the period ended 31 December 2007 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 December 2007, of USD 2.002 :GBP 1. Comparatives for the same period in the consolidated balance sheet have been translated using USD / GBP exchange spot rate on 31 December 2007 of USD 1.991 :GBP 1.

London Mining plc
Notes to the condensed consolidated financial statements

4. Composition of the Group

	Country of incorporation	Principle activity	Ownership interest	
			2008 %	2007 %
Subsidiaries:				
London Mining Company Limited	Sierra Leone	Mining	100	100
London Mining Logistics Company Ltd	Sierra Leone	Dormant	100	100
Anglo Mexican Mining Ltd	British Virgin Islands	Investment holding company	55	49
Campania Minera Suizo-Mexicana, SA de CV Ltd	Mexico	Mining	54	49
MIL Participacoes Societarias Ltda	Brazil	Administrative company	100	100
Rannerdale Limited	Isle of Man	Investment holding company	100	-
Torbanite One Limited	Isle of Man	Investment holding company	100	-
London Mining Greenland	Greenland	Mining	100	-
Hammersmyth Management Ltd	Canada	Dormant	100	100
Associates:				
DMC Coal Mining (Pty) Ltd	South Africa	Mining	39.3	-
International Coal Company Ltd	Cayman Islands	Mining	20.0	-

Anglo Mexican Mining Ltd

On 25 June 2008, the Group increased its holding in Anglo Mexican Mining Ltd (AMML) from 49% to 53%. The Group subsequently increased its holding in AMML from 53% to 55% with a transaction completed on 4 September 2008. These transactions were completed for an aggregate net cash consideration of USD 0.2 million and contingent deferred consideration of USD 0.45 million which is not anticipated to be paid.

The fair value of this acquisition is reflected as capitalised exploration as at 31 December 2008, and has no impact on the result for the year. Development and production of the mine is subject to the granting of a full official SEMARNAT licence, being the final environmental approval.

AMML was reported as an investment in associate for the year ended 31 December 2007 but is now reported as a subsidiary for the year ended 31 December 2008 as the Group exercises control of AMML.

Saudi Arabia

On 12 February 2008, the Group passed a resolution approving the entering into of a joint venture agreement with National Mining Company ("National Mining") to develop and put into operation an iron ore mine and pelletising plant in Wadi Sawawin near the port of Duba in Saudi Arabia. The joint venture will be conducted through a new company called Saudi London Iron Ltd ("SLI") held as to 50% by the Group and as to 50% by National Mining. A detailed formal joint venture agreement was entered into between the Group and National Mining on 29 April 2008. The incorporation of SLI is currently in progress and no shares therein have yet been issued to the Group. This acquisition has had no material impact on the Group results as at period end.

DMC Coal Mining (Pty) Ltd

On 8 July 2008, the Group announced the purchase of 39.3% of DMC Coal Mining (Pty) Ltd ("DMC Coal"), as part of the Group's expansion into the coal industry. DMC Coal is a company registered and with coal operations in South Africa.

The transaction was structured through the acquisition of the entire issued share capital of Torbanite One Limited ("Torbanite One") through a newly acquired subsidiary Rannerdale Limited ("Rannerdale") for a net cash consideration of USD 16.4 million.

As part of the acquisition of DMC Coal, a convertible loan of USD 18.5 million was issued by the Group to DMC Energy (Pty) Ltd ("DMC Energy"). The terms of the shareholders' agreement stipulate that, upon receipt of South African regulatory approvals and following completion of an internal reorganisation of Delta Mining Consolidated ("DMC"), the loan will be automatically converted into share capital of DMC Energy such that the Company would hold a 28% interest in DMC Energy.

In the event the regulatory approvals or reorganisation are not completed, the company has the option to recall the loan or to call for the loan to be converted into a 28% interest in DMC.

London Mining plc
Notes to the condensed consolidated financial statements

4. Composition of the Group (continued)

International Coal Company Ltd

On 15 September 2008, the Group announced the purchase of 20% of International Coal Company Ltd ("ICC") for a net cash consideration of USD 5.1 million with first rights of refusal to invest further capital. ICC is a Cayman Islands incorporated company with coal operations in Colombia, South America.

Summary

	Subsidiary	Associates		
	Anglo Mexican Mining Ltd \$'000	DMC Coal Mining (Pty) Ltd \$'000	International Coal Company Ltd \$'000	Total \$'000
Net assets acquired	31	1,605	810	2,415
Add: Mineral reserves ¹	1,102	14,789	4,271	19,060
Less: Investments in associates previously recorded	(431)	-	-	-
Less: Minority interests	(475)	-	-	-
Cost of acquisition	227	16,394	5,081	21,475
Satisfied by:				
Cash consideration – net of acquisition costs	227	16,394	5,081	21,475
Ownership interest	55%	39.3%	20%	

¹ Other than the recognition of mineral reserves, no other fair value adjustments arose on acquisition.

5. Dividends

On 20 August 2008, in connection with the sale of London Mining's Brazilian operations, a proposal was announced to return 200 pence per ordinary share to shareholders. The return of cash was approved by the shareholders at a General Meeting on 10 November 2008. Under the terms of the Return of Cash, shareholders elected to receive either one 'B' share or one 'C' share. Shareholders who elected for the 'B' shares were issued with 'B' shares, on which they received a dividend of 200 pence per share. Shareholders who elected for the 'C' shares were issued with 'C' shares, which were redeemed by London Mining for a redemption price of 200 pence per share.

On 19 November 2008 a dividend of GBP 151,478,000 (USD 237,820,000) was declared to 'B' shareholders and the 'C' shares were redeemed for GBP 67,590,000 (USD 106,116,000). A total of GBP 219,068,000 (USD 343,936,000) cash was returned to shareholders.

6. Return bonus plan

The London Mining Return Bonus Plan (the "Return Bonus Plan") was adopted by the Company on 4th September 2008. Under the Return Bonus Plan, cash bonus awards can be made to participants in the London Mining plc Share Option Plan, the London Mining plc No. 1 (employees only) Share Option Plan (together, the "Plans") and the London Mining Long-Term Incentive Plan (the "LTIP") if either a special dividend or return of share capital is made by the Company (the "Return of Cash") after the date of grant of the bonus award but prior to the exercise / vesting of the related option / LTIP award granted under the Plans / LTIP and no compensating adjustment is made to such option / LTIP award to take account of the Return of Cash. Participants in the LTIP have the choice to participate in the Return Bonus Plan or to have a compensatory adjustment made to the number of their underlying awards.

The bonus awards granted under the Return Bonus Plan entitle participants to receive a cash payment equal to the number of ordinary shares under the related option / LTIP award multiplied by the aggregate amount due per ordinary share under the Return of Cash. The bonus awards vest and lapse in accordance with the terms of the related option / LTIP award held under the Plans / LTIP, and are accounted for in accordance with the Group's policy for share-based payments, set out in the Group's annual report.

London Mining plc
Notes to the condensed consolidated financial statements

7. Segment reporting

Business segments

During the year, 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 Group reports its primary segment information.

The Group’s discontinued operations relate to the mining, extraction and production of iron ore. Details of discontinued operations for the current year and year ended 31 December 2007 are listed in note 11.

Group	Three months ended 31 December 2008			
	Continuing operations			Total \$'000
	Iron ore \$'000	Coal \$'000	Group unallocated items \$'000	
Revenue	-	-	-	-
Depreciation & amortisation	(62)	-	(79)	(141)
Other costs	(1,591)	(19)	(20,265)	(21,875)
Loss from operations	(1,638)	(19)	(20,344)	(22,001)
Share of results of associates (being segment revenue)	-	(305)	-	(305)
Net finance costs	(11)	1	(46,324)	(46,334)
Taxation	-	-	-	-
Loss for the period – continuing operations	(1,649)	(323)	(66,668)	(68,640)
Segment result ¹	(1,638)	(324)	(20,344)	(22,306)
Capital expenditure	44	-	181	225
Investment in associates	-	20,610	-	20,610
Segment assets	27,914	39,374	312,598	379,886
Segment liabilities	258	1	11,594	11,853

¹ Segment result is defined as segment revenue less segment expense being loss from operations

Group	Year ended 31 December 2008			
	Continuing operations			Total \$'000
	Iron ore \$'000	Coal \$'000	Group unallocated items \$'000	
Revenue	-	-	-	-
Depreciation & amortisation	(218)	-	(171)	(389)
Other costs	(3,493)	(19)	(32,914)	(36,426)
Loss from operations	(3,711)	(19)	(33,085)	(36,815)
Share of results of associates (being segment revenue)	-	(386)	-	(386)
Net finance costs	(22)	3	(45,790)	(45,809)
Taxation	-	-	-	-
Loss for the period – continuing operations	(3,733)	(402)	(78,875)	(83,010)
Segment result ¹	(3,711)	(405)	(33,085)	(37,201)
Capital expenditure	439	-	365	804
Investment in associates	-	20,610	-	20,610
Segment assets	27,914	39,374	312,598	379,886
Segment liabilities	258	1	11,594	11,853

¹ Segment result is defined as segment revenue less segment expense being loss from operations

For the year and three months ended 31 December 2007, the Group had only one business segment, being the mining extraction and production of iron ore. Consequently, no comparatives have been presented for the year and three months ended 31 December 2007.

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7. Segment reporting (continued)

Geographical segment

The Group's operations are based in four main geographical areas, being North America, South America, Africa and the Middle East & Asia. The Group's corporate activities are carried out in the United Kingdom.

Group	Three months ended 31 December 2008			
	Revenue \$'000	Segment assets \$'000	Capital expenditure \$'000	Payments for intangible assets \$'000
Continuing operations				
North America	-	8,844	3	1,201
South America	-	4,932	-	-
Africa	-	44,194	44	20
Middle East & Asia	-	8,614	-	1,973
United Kingdom	-	313,302	181	-
	-	379,886	228	3,194

Group	Year ended 31 December 2008			
	Revenue \$'000	Segment assets \$'000	Capital expenditure \$'000	Payments for intangible assets \$'000
Continuing operations				
North America	-	8,844	3	6,205
South America	-	4,932	-	-
Africa	-	44,194	436	1,225
Middle East & Asia	-	8,614	-	2,615
United Kingdom	-	313,302	365	-
	-	379,886	804	10,045
Discontinued operations				
South America	9,462	-	21,899	-
	9,462	379,886	22,703	10,045

Group	Three months ended 31 December 2007			
	Revenue \$'000	Segmental assets \$'000	Capital expenditure \$'000	Payments for intangible assets \$'000
Continuing operations				
North America	-	2,031	185	307
Africa	-	8,868	94	(644)
United Kingdom	-	85,356	15	-
	-	96,255	294	(337)
Discontinued operations				
South America	3,930	109,886	4,430	-
	3,930	206,141	4,724	(337)

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7. Segment reporting (continued)

Geographical segment (continued)

Group	Revenue \$'000	Segmental assets \$'000	Year ended 31 December 2007	
			Capital expenditure \$'000	Payments for intangible assets \$'000
Continuing operations				
North America	-	2,031	185	886
Africa	-	8,868	403	2,245
United Kingdom	-	85,356	42	-
	-	96,255	630	3,131
Discontinued operations				
South America	9,405	109,886	73,715	97
	9,405	206,141	74,345	3,228

8. Administrative expenses

	Three months ended 31 December 2008 \$'000	Three months ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Return Bonus Plan ¹	16,100	-	16,100	-
Share-based payments to consultants	90	730	1,312	1,790
Share-based payments to staff, directors and key management	3,430	1,986	9,388	4,324
Directors and key management remuneration excluding share-based payments	539	1,940	2,420	3,941
Staff costs	459	108	1,704	394
Consultancy fees	315	158	1,081	532
Depreciation and amortisation	141	24	389	105
Fees payable to the Group's auditors for the audit of the Group's annual accounts	26	144	245	214
Fees payable to the Group's auditors for other services to the Group	121	26	173	26
Operating lease costs - property	104	57	253	127
Legal fees	233	89	761	191
Other	443	782	2,989	1,400
	22,001	6,044	36,815	13,044

¹Details of the Return Bonus Plan are set out in Note 6.

Following the approval of the Return of Cash to shareholders of 200 pence per ordinary share at the General Meeting held on 10th November 2008, bonus awards were made under the Return Bonus Plan to all option holders and two LTIP award holders. Payment is due within 5 business days of the vesting of the related option / LTIP award or, if the related option / LTIP award is already vested, within 5 business days of (and including) the Return of Cash.

In aggregate, USD 13.3 million has been paid in the year ended 31 December 2008 and a further USD 7.1 million is due (subject to the Return Bonus Plan rules), payable over the next 3 years.

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

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9. Finance income and costs

	Three months ended 31 December 2008 \$'000	Three months ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Finance income				
Interest income from cash and cash equivalents	3,758	1,104	8,747	2,041
Exchange gains	1,309	2,354	20,113	4,609
	5,067	3,458	28,860	6,650
Finance costs				
Interest payable	38	2	71	1,279
Interest on Callable and Puttable Bonds 2007/2012	-	2,004	6,408	5,202
Exchange losses ¹	51,363	1,793	68,190	6,693
	51,401	3,799	74,669	13,174

¹ Within exchange losses for the year ended 31 December 2008 is a USD 46.6 million loss arising in respect of the 200 pence per ordinary share Return of Cash to shareholders. Following the receipt of USD 809.9 million proceeds from the sale of the Brazilian operation in August 2008 (exchange rate of USD 1.8621 :GBP 1), the Company converted USD 400 million to GBP 224 million in September 2008 (exchange rate of USD 1.7875 :GBP 1) in order to eliminate future foreign exchange exposure on the proposed Return of Cash, which was declared as a GBP payment. The Return of Cash was declared on 10th November 2008 (exchange rate of USD 1.5700 :GBP 1)

10. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the earnings / (loss) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares purchased by the company and held in the employee benefit trust.

	Three months ended 31 December 2008 \$'000	Three months ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Loss from continuing operations attributable to equity holders of the company	(68,603)	(6,417)	(82,973)	(19,588)
Profit from discontinued operations attributable to equity holders of the company	-	1,052	669,091	2,618
	(68,603)	(5,365)	586,118	(16,970)
Weighted average number of ordinary shares in issue	107,357,884	99,845,139	102,871,987	77,058,832

(b) Diluted

The outstanding options, warrants and LTIP's at 31 December 2008 and 2007 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share is the same for the current and prior year.

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11. Discontinued operations

On 19 August 2008, the Group announced that it had completed the sale of the Brazilian operations to ArcelorMittal for a total cash consideration of USD 809.9 million. On reclassification of these operations as held for sale, the Group did not recognise any impairment losses.

The results of the discontinued operations included in the consolidated income statement are set out below. The comparative profit has been restated to include those operations classified as discontinued in the current period.

As part of the disposal, 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.

(a) Profit from discontinued operations

	Three months ended 31 December 2008 \$'000	Three months ended 31 December 2007 \$'000	Year ended 31 December 2008 \$'000	Year ended 31 December 2007 \$'000
Revenue	-	3,930	9,462	9,405
Cost of sales	-	(1,595)	(4,298)	(4,516)
Gross profit	-	2,335	5,164	4,889
Sales and distribution expenses	-	(84)	(61)	(287)
Depreciation and amortisation	-	(543)	(1,573)	(1,287)
Administrative expenses	-	(724)	(1,501)	(1,235)
Profit from operations	-	984	2,029	2,080
Finance income	-	1,438	6,797	2,651
Finance costs	-	(409)	(1,060)	(776)
Profit before taxation	-	2,013	7,766	3,955
Taxation	-	(961)	(2,869)	(1,337)
Profit from discontinued operations	-	1,052	4,897	2,618
Attributable to:				
- Equity holders of parent	-	1,052	4,897	2,618
	-	1,052	4,897	2,618

(b) Post-tax profit on disposal of discontinued operations

	As at 19 August 2008 \$'000
Consideration received on disposal of discontinued operations	809,901
Less: transaction costs	(39,222)
Less: premium paid on early settlement of bonds	(6,865)
Less: net assets disposed (c)	(66,849)
Less: intragroup loans repaid on disposal	(47,452)
Less: foreign currency translation recycled on disposal	14,681
Pre-tax profit on disposal of discontinued operations	664,194
Taxation ¹	-
Post-tax profit on disposal of discontinued operations	664,194

¹ London Mining anticipate no UK tax to be payable on the disposal of the Brazilian operations since London Mining anticipate the sale to qualify for UK substantial shareholdings exemption.

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11. Discontinued operations (continued)

(c) Carrying amounts of assets and liabilities of discontinued operations

The major classes of assets and liabilities of the Brazilian operations of the Group at 19 August 2008 were as follows:

	As at 19 August 2008 \$'000
Assets	
Cash and cash equivalents	5,898
Property, plant and equipment	109,635
Intangible assets	90
Inventories	24,848
Receivables	1,659
Deferred tax assets	33
	142,163
Liabilities	
Trade and other payables	3,281
Borrowings	65,415
Provisions	1,892
Deferred tax liabilities	4,244
Tax liabilities	482
	75,314
Net assets disposed	66,849

12. Borrowings

	2008 \$'000	2007 \$'000
Non-current		
Instalment sale creditors	-	160
Deferred payment portion in respect of MIL purchase price ¹	-	2,860
	-	3,020
Current		
Callable and Putable Bonds 2007/2012 ²	-	66,474
Deferred payment portion in respect of MIL purchase price ¹	-	15,627
	-	82,101

¹The deferred payment portion in respect of MIL purchase price was settled as part of the Group's sale of its Brazilian operations on 19 August 2008. Details of this transaction are disclosed in discontinued operations (note 11).

²On the disposal of the Brazilian operations, the holders of the Callable and Putable Bonds 2007/2012 had the right to sell their Bonds to the Company at a redemption price equal to 110% of the face value thereof. Actual repayment of the bonds was made on 1 October 2008, however from the date of sale the debt is treated as "defeased" from a legal perspective as cash was transferred from London Mining to a nominee account prior to repayment

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13. Provisions

The provisions balance at 31 December 2007 represented the estimated cost of dismantling plant and machinery, buildings, and rehabilitation costs in relation to the Group's Brazilian operations. This provision has been extinguished upon disposal of the Group's Brazilian operations.

14. Share capital

Share capital at 31 December 2008 is USD 398,000. During the three months to 31 December 2008, the Group issued the following:

- 3,150,000 ordinary shares following the conversion of warrants
- 75,739,010 'B' shares, which were converted to deferred shares on 19 November 2008
- 33,794,785 'C' shares, which were redeemed on 19 November 2008

The 'B' and 'C' shares were issued to facilitate the Return of Cash of 200 pence per ordinary share to shareholders, approved on 10 November 2008. On payment of the dividend, holders of 'B' shares received a dividend of 200 pence per share and holders of 'C' shares had shares redeemed at 200 pence per share. Following the payment of the dividend on 'B' shares, the 'B' shares converted to a 'deferred share', which have no voting rights or dividend rights.

15. Share based payments

On 18 November 2008, following the approval of the Return of Cash by shareholders, the Company announced that the LTIP awards held by Christopher Brown (Managing Director), Graeme Hossie (Corporate Development and Deputy Managing Director) and Rachel Rhodes (Finance Director) were adjusted pursuant to the rules of the London Mining Long-Term Incentive Plan ("LTIP") to maintain the value of awards immediately prior to the Return of Cash. The awards were adjusted to 4,718,884, 4,718,884 and 314,592 respectively.

16. Notes to the cash flow statement

	2008	2007
	\$'000	\$'000
Reconciliation of profit for the year to cash outflows from operating activities		
Profit / (loss) for the period – total Group	586,081	(16,970)
Adjusted for:		
Profit for the year - discontinued operations	(669,091)	(2,618)
Share of results from associates	386	-
Depreciation and amortisation	389	105
Finance income	(28,860)	(6,650)
Finance costs	74,669	13,174
Share-based payments expense	10,700	6,114
Tax expense	-	20
	(25,726)	(6,825)
(Increase) / decrease in current receivables and inventories	(712)	1,351
Increase in trade and other payables	2,521	1,902
Net cash outflow from operating activities	(23,917)	(3,572)
Payments to acquire intangible assets		
Acquisition of intangible assets	(10,045)	(3,131)
Less: amounts accrued	-	509
Payments to acquire intangible assets	(10,045)	(2,622)

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17. Related party transactions

Mr DG Hossie, a director of the Group, is a director of Venture Development Partners Limited ("VDP"). During the year, the Group paid VDP USD 0.61 million (2007 : 1.2 million) for management consulting services to the Group and a USD 4.71 million payment under equivalent terms to the Return Bonus Plan to maintain the value of outstanding options held following the Return of Cash to shareholders.

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

18. Events after the balance sheet date

China

On 14 January 2009, the Group entered into a conditional subscription agreement with Wits Basin Precious Minerals Inc ("Wits Basin") to become a joint venture partner for its iron ore projects in the People's Republic of China ("PRC"). Under the subscription agreement it has agreed to subscribe USD 39.25 million for 50% of the shares in the joint venture company, China Global Mining Resources (BVI) Limited ("CGMR BVI"). It has also agreed to make a loan of USD 5.75 million to Wits Basin. The subscription and loan will be funded from the Group's existing cash resources.

CGMR BVI has entered into certain escrow arrangements in the PRC in respect of the acquisition 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 PRC. It is a condition of completion of the acquisitions that CGMR BVI will also be 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.

The completion of the subscription agreement with Wits Basin and the acquisition of XNS and Sudan are subject to certain closing conditions, including the receipt of business licences and permits relating to the transfer and operation of the mining properties. It is anticipated that the acquisition of XNS and Sudan will complete by the end of the March 2009.

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.