

## London Mining plc Chairman's statement

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Dear Shareholders

In this half year update, I am extremely pleased to announce more significant milestones in achieving London Mining's ambitious growth strategy.

As part of its commitment to create shareholder value through a focused investor relations strategy, London Mining announced on 13<sup>th</sup> July 2009 its intention to seek an admission of its shares to trading on the Alternative Investment Market of the London Stock Exchange (AIM). The admission, scheduled for later this year, will be the start of a process for the Company to establish itself in London as it enters a period of significant growth. We believe that with a listing on AIM, the Company will benefit from the presence of established mining sector research coverage in London and improved access to global investors.

In accordance with our strategy to deliver near-term growth, I am very pleased to announce the Group returns to production following the acquisition of a 50% share in an operating iron ore mine in the People's Republic of China (PRC). The acquisition completed on 23rd April 2009, and early signs are that cash costs are significantly lower (less than USD 40/tonne) than originally envisaged. This investment provides the Company with accelerated growth opportunities through local regional consolidation and China Global Mining Resources (CGMR), the Group's 50% joint venture, has now entered into a non-binding Memorandum of Understanding to acquire the neighbouring mine. This mine has a capacity of 300,000 tonnes of iron ore concentrate and includes processing facilities near our current operations. Acquisition of this operation should unlock significant value as we will be able to merge the two operations to provide cost synergies and further access to resources at depth and over a significantly greater pit area. We are currently conducting due diligence on the proposed acquisition, but are very excited about the expansion opportunity this brings.

Finally, on 20th August 2009, we announced an historic settlement of a long running dispute with African Minerals Limited and with the Government of Sierra Leone. This settlement agreement brings a much welcomed end to the dispute over boundary claims in the Marampa district that has delayed full development of this project. The settlement was facilitated by the Government of Sierra Leone (GOSL) and paves the way for large scale production of mineral resource in the region. GOSL has agreed to grant London Mining with an extended mining license. We expect to embark on a fast-track development of the first phase 1.5mtpa mine on formal ratification of the mining lease agreement which is expected in October 2009. We are currently conducting extensive drilling of the primary ore body on this mining lease and look forward to reporting an expanded JORC standard resource during the second half of this year.

We have excellent asset potential and a highly experienced management team fully in place to deliver our growth strategy. I remain very optimistic about London Mining's future prospects in 2009 and look forward to announcing our admission to AIM in the coming months.



CJ Knight  
Chairman

## London Mining plc

### Operating review

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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

London Mining continued to progress its four key iron ore properties over the period in Sierra Leone, Saudi Arabia, Greenland and China. The Company also bolstered its technical team with two professionals both of whom have outstanding experience in building and commissioning new mines.

Summary data for these key projects are:

	Sierra Leone	Greenland	Saudi Arabia	China
Project	Marampa	Isua	Wadi Sawawin	CGMR
Resource (mt) and grade	148 @ 31%	880 @ 34%	230 @ 41%	53 @ 24%
Ownership (%)	100	100	50	50
First production (year)	2010	2014	2013	2009
Target production (mtpa)	1.5-3+	5	5-10	2

All resource figures are unclassified, as they are not yet JORC compliant. Resources and targeted production figures are on a 100% basis. An operational update on each of these projects is provided below.

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

##### *Settlement of boundary dispute*

On 20th August London Mining and African Minerals Limited (AML) settled each others claims over the Marampa district and agreed on the boundaries of their respective areas. The Government of Sierra Leone (GOSL) has stated that it will incorporate the agreed boundaries in a revised Exploration License for AML and a revised Mining Lease for London Mining.

In addition, London Mining and the Sierra Leone Government amicably resolved their long running dispute in respect of the Marampa area and the Company expects to receive the new mining license, confirmation of the formal cessation of the legal dispute with GOSL and the granting of a package of financial incentives in the next quarter.

Under the terms of the settlement, London Mining will relinquish the disputed area surrounding the Mafuri Hill and Matukia Ridge exploration areas 2/03 and in return will receive extended coordinates, in particular to the east of the Company's previous license. The extended mining lease provides London Mining with the opportunity to acquire additional tailings resource over and above that previously reported, which may provide an additional two years production from the first phase of development (being the planned 1.5 mtpa production from processing of the tailings).

The Company expects the formal ratification by GOSL parliament of the complete Mining Lease Agreement, including fiscal incentives and environmental impact assessment, in October 2009. On receipt of this approval, the Company is able to make its final development decision on the fast track construction of this project.

##### *Update on operations*

An updated resource calculation and process testwork for the tailings are expected to be completed by the end of Q3 2009. Drilling also continues on the primary ore of the Marampa mine and a significant increase to the historical resource is considered likely.

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

London Mining continues to progress its Wadi Sawawin project towards the delivery of the bankable feasibility study. All consultants have been appointed and draft reports are being issued. Specifications have been sent to potential equipment providers and discussions are ongoing. The process is being driven by London Mining's ten person team based in Oman, with significant head office input. Worley Parsons are the engineering consultant for the project and Standard Chartered have been engaged to be our financing advisor. The results from the bankable feasibility study are expected in Q4 2009.

## **London Mining plc**

### **Operating review (continued)**

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#### **Wadi Sawawin (50% JV), Saudi Arabia (continued)**

In addition, London Mining has planned a further 3,000m of drilling over the remainder of 2009 in order to increase the mineable resource and extend the planned mine life beyond 14 years. A third drill rig is expected on site during September in order to accelerate this process. Separately, London Mining expects to issue a JORC resource for the project in Q4 2009.

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

In April 2009, the Group acquired a 50% stake in China Global Mining Resources (CGMR), which in turn acquired an operating iron ore mine in the PRC. During the period since acquisition, CGMR maintained production at a run rate of 0.3mtpa with operating costs much lower than expected at less than USD 40 per tonne of concentrate produced. Going forward, higher strip ratios and development costs as the management implement initial health and safety standard improvements, may result in higher operating costs over the remainder of the year, although these should be partially offset by operating efficiencies.

Since acquisition in April 2009, the operation generated sales of 101,000 tonnes of 62% concentrate to the Group at an average realised price of USD 59 per tonne. The realised price has increased since 30 June 2009 as the delivered spot iron ore price undergoes a recovery.

The joint venture is continuing with its audit of mine reserves, operations and health and safety and is in the planning stages of a drilling campaign to ratify existing drill data and define fully the global resource as a first stage in optimizing the mine plan as well as examining possible improvements to enhance the grade and price obtained.

In connection with the acquisition of the XNS and Sudan companies by CGMR, the Land and Resources Bureau of Anhui Province (the Bureau) granted Maanshan Xiaonanshan Mining Co.Ltd (XNS), the PRC entity which owns the XNS mine, an expanded mining license, including the areas operated by other iron ore producers. This was part of the Bureau's local long term efforts to consolidate domestic iron ore producers in the region, and reflected the expectation of the Bureau that the mining operations of XNS and the neighbouring mines would be consolidated. In light of this, on 13<sup>th</sup> August 2009, CGMR entered into a non-binding Memorandum of Understanding with the neighbouring mine owner for the acquisition of assets, including a 300,000 tonne per annum processing plant near to the XNS pit. CGMR is currently conducting due diligence in respect of this opportunity and expects to conclude its work in Q4 2009. Whilst we remain confident that this acquisition will be completed, if it is not there is a risk that the expanded mining license may be reduced and that the Company's USD 46 million carrying value for the existing mine may not be supported in full, based only on a reduced license to current depth without any license depth extension. As part of the original transaction, CGMR secured an option to acquire additional resource in the Matang region (22MT at 25% Fe) however, which may also provide expansion opportunity.

We note that the acquisition of XNS and Sudan was of strategic importance to London Mining and provides a good vantage point to assess the dynamics of Chinese iron ore supply and demand. This acquisition has brought additional intangible benefits through opportunities for further strategic alliances with Chinese investors and potential off-take partners, which will benefit the Company in the long term. To date, the Company has met with senior officers of Sinosteel, Min Metals and China National Railway Corporation and continues discussions with these parties about areas of strategic cooperation, investment and commercial relations.

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

Scoping work continues on the project and a pre-feasibility study is expected to be completed by February 2010. Several project and process configurations are being considered to optimise net present value and determine whether the project can be accelerated. A drilling program of 3,700m is in the late stages of completion this summer with an updated JORC compliant resource expected in Q4 2009.

## **Coal division**

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

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

On 8 August 2008, London Mining announced that it had entered into a conditional contract to acquire, after reorganisation, 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.

Under the terms of the contract, London Mining took an initial 39.3% interest in DMC Coal Mining (Pty) Ltd (DMC Coal) for USD 16.5 million and issued a USD 18.5 million convertible loan to DMC Energy (DMC). Both interests would convert to a 28% equity interest in DMC Energy on 31 July 2009, subject to DMC receiving various regulatory approvals by that date. The approvals have not been received as of the date of this report and London Mining is currently in discussions with DMC to reach an agreement on how this loan should convert into DMC equity.

DMC owns a number of coal properties, the most exciting of which is its Rietkuil project. A feasibility study on the Rietkuil project commenced in February 2009 and is due to be released during this next quarter. This feasibility study included the drilling of the resource to reach a SAMREC compliant measured and indicated resource. Initial results show the resource at 199.8 million tonnes GTIS (157 million tonnes measured and 42.8 million tonnes indicated) and the pit design now assumes an open pit operation. Preliminary drafts of the study reveal no fatal flaw has been indicated on the project to date. London Mining will review the final feasibility study on Rietkuil when released.

DMC Energy has a number of other assets, the value of which London Mining is currently assessing. Of particular interest is DMC Energy's 51% holding in Springbok Flats Energy project: a project consisting of five prospecting rights situated in the southern portion of the Springbok Flats Coalfield, 40km east of the town of Bela-Bela, just south of the boundary between the Limpopo and Mpumalanga Provinces, South Africa.

DMC has completed the verification exploration and modeling of the Springbok Flats project. There was a good correlation between the 17 new cored boreholes and the 290 historic boreholes that allowed DMC to declare a SAMREC compliant resource in the indicated and inferred categories of 1.26 billion tonnes GTIS. (Indicated 144.3 million tonnes, and Inferred 903.5 million tonnes).

The DMC Energy team has also progressed exploration on its Limpopo Project to a SAMREC compliant Indicated Resource of 136.6 million tonnes GTIS on the southern block.

Due to information that has recently come to light in the Pixley Ka Seme application review by the South African Department of Minerals and Energy, DMC management has brought to London Mining's attention that it may no longer proceed with this prospect. As a result of this information, London Mining has written down its investment in DMC Coal Mining (Pty) Ltd by USD 6.0 million, reflecting the carrying value London Mining attributed to this particular project.

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

The Group has a 20% investment in 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 discussions with ICC regarding a potential transaction whereby it would acquire 100% of ICC and also a stake in a company which would provide operating income and attractive export opportunities to support substantial development of coal production for export from ICC's coal properties.

**Personnel**

The company made two key hires in July 2009 with John Wonnacott joining as the Project Director for the Isua Project in Greenland and Rinaldo Nardi as Senior Specialist in Mineral Processing and Plant Design.

John Wonnacott is a civil and geotechnical engineer with 30 years experience with particular expertise in the development of projects in cold weather climates. Most notably between 1997 and 2003 John was the Deputy Project manager and Chief Engineer of the Diavik Diamond Mine in Canada where he hired, led and directed a team of engineers responsible for the design and construction of a USD 1.3 billion new mine installation 100 Km south of Arctic Circle.

Rinaldo Nardi is a mining engineer and is also a doctor in mineral engineering. He has 35 years experience including 25 years with Vale. Rinaldo has significant expertise of managing both iron ore and coal projects at the design, construction and start-up stages.

John and Rinaldo augment the project and technical services teams led by COO Luciano Ramos. Luciano's team has recently been expanded to provide support for the continued fast track development of projects in China, Sierra Leone, Saudi Arabia and Greenland.

## London Mining plc

### Financial review

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#### Income statement

The Group recorded a net loss of USD 16.6 million from continuing operations for the six months ending 30 June 2009 (30 June 2008: USD 13.0 million). Included within this loss is:

Income:

- USD 1.0 million (2008: nil) gross profit in respect of 50% of the profits of CGMR BVI;
- USD 0.8 million (2008: nil) net management fee receivable by the Group from CGMR BVI after eliminating the Group's 50% share of the cost on consolidation;

Offset by:

- USD 2.1 million (2008: nil) charge arising from the Return Bonus Plan<sup>1</sup>;

Staff related costs including:

- USD 1.9 million (2008: USD 1.6 million) staff costs for directors and key management;
- USD 1.8 million of other staff costs (2008: USD 0.4 million). This increase is attributable to increased staff numbers in the Group's iron ore technical team and the London head office;
- USD 1.2 million (2008: USD 4.7 million) of share based payments to staff, directors and key management. This reduction is due to the majority of director options vesting in July 2008 along with a USD 1.1 million credit to the income statement in February 2009 in relation to the Group's previous managing director's LTIP awards which lapsed upon his resignation;

Other:

- USD 2.9 million (2008: USD 1.8 million) of professional and legal fees. This variance is attributable to fees incurred in due diligence of potential acquisitions;

Exceptional item:

- USD 6.0 million (2008: nil) impairment on the Group's investment in its associate, DMC Coal following DMC's representation that it may no longer proceed with the Pixley Ka Seme coal prospect;

#### Balance sheet

Equity attributable to equity holders of the parent has fallen from USD 367.6 million at 31 December 2008 to USD 344.2 million at 30 June 2009. This was principally due to the loss for the period of USD 16.6 million and further acquisitions of the Company's shares by the Employee Benefit Trust to meet future obligations under the Company employee share schemes at a cost of USD 8.6 million.

The most significant change in the composition of the balance sheet arose from the Company entering into a 50:50 joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin). Under the terms of the agreement, the Company subscribed USD 38.7 million for 100 A Shares in the joint venture entity China Global Mining Resources (BVI) Limited (CGMR BVI) and made a direct loan to Wits Basin of USD 5.75 million, making a total initial investment of USD 44.5 million. As part of the joint venture agreement, CGMR BVI passed the cash received from London Mining of USD 38.7 million to its wholly owned subsidiary China Global Mining Resources Limited (CGMR). CGMR then completed the acquisition of two Chinese companies: Xiaonanshan Mining Co Limited (XNS) and Nanjing Sudan Mining Co Limited (Sudan).

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<sup>1</sup> 2009 compensation payments made under the Return Bonus Plan relate to the "Return of Cash" to shareholders in the second half of 2008. 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.

**London Mining plc**  
**Financial review** (continued)

**Balance sheet** (continued)

The Company has proportionally consolidated 50% of CGMR BVI. For accounting purposes the USD 38.7 million investment in CGMR BVI is treated as debt due from the joint venture of USD 34.9 million (on a 100% basis and after discounting for the timings of the anticipated future cash inflows) and an equity contribution to the joint venture of USD 3.8 million (in exchange for the Group's 50% interest). The Group's consolidated balance sheet shows:

- USD 5.75 million non-current 'loan to joint venture partner' representing the interest-bearing loan to Wits Basin;
- USD 17.58 million non-current 'loan to joint venture' representing the joint venture partner's 50% share of the USD 34.9 million liability in CGMR BVI;
- USD 3.8 million of net assets representing the Group's 50% share of the provisional fair value of the individual gross assets and liabilities in the balance sheet of the joint venture includes mineral reserves and mining rights of USD 38.5 million, which form part of property plant and equipment, deferred tax payable of USD 9.0 million and deferred consideration to due to the seller of USD 8.5 million; and
- Further details of the accounting of this transaction are shown in note 9 to the interim financial information.

London Mining continued to invest in exploration and evaluation activity, principally at Sierra Leone, Saudi Arabia and Greenland with these direct costs being capitalised as intangible assets. Intangible assets increased from USD 20.2 million at 31 December 2008 to USD 26.6 million at 30 June 2009.

London Mining's investment in associates of USD 14.8 million at 30 June 2009 (31 December 2008: USD 20.6 million) comprises USD 4.8 million in International Coal Company Ltd (ICC) and USD 10.0 million in DMC Coal. This balance takes into account an impairment charge of USD 6.0 million in the period relating to the Group's investment in its associate, DMC Coal (see note 5). The Group's investment in DMC Coal of USD 10.0 million, together with the Group's convertible loan receivable of USD 18.5 million, gives a total investment in the DMC group of USD 28.5 million at 30 June 2009.

The summary total carrying value of the Group's projects and investments at 30 June 2009 are as follows:

USD millions	Iron Ore					Coal	
	Saudi Arabia	Greenland	Sierra Leone	China	Mexico	ICC	DMC
Net carrying value	4.1	12.0	10.5	46.0	0.7	4.8	29.0

The Group's cash balance has fallen for the reasons set out in the cash flow section below.

**Cash flow**

- Total cash decreased during the six months to 30 June 2009 by USD 71.1 million to USD 245.2 million.

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

- USD 9.8 million net outflow from operating activities;
- USD 53.2 million net outflow from investing activities; and
- USD 8.6 million net outflow from financing activities.

This net decrease is predominantly due to:

Operating cash outflow:

- In respect of the Group's administrative expenses, as described above under 'income statement';

## **London Mining plc**

### **Financial review** (continued)

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#### Investing cash outflows:

- USD 38.7 million investment in CGMR BVI;
- USD 5.75 million loan to Wits Basin (joint venture partner); and
- USD 8.3 million spent on intangible and tangible assets, reflecting the Group's ongoing development of its projects; and

#### Financing cash outflow:

- USD 8.6 million loan to the Group's Employee Benefit Trust to acquire London Mining plc shares to meet its obligations under the Company's share-based remuneration scheme.

### **Liquidity and going concern**

At 30 June 2009, the Group had cash of USD 245.2 million and no material borrowings. Under the terms of the Substantial Shareholder Exemption (SSE), which granted the 2008 disposal of the Group's Brazilian operations tax free status, the Group is required to reinvest a significant proportion of the proceeds into qualifying trading activities. The Group remains committed to delivering its approved strategy and believes the SSE clearance is still effective.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly the Group continues to adopt the going concern basis in preparing the half-yearly condensed financial statements.

### **Risks and uncertainties**

The Group is exposed to a variety of risks and uncertainties which may affect it. The principal risks and uncertainties facing the Group at the 2008 year end were set out in detail in the Directors' Report section of the 2008 Annual Report, and remain appropriate in 2009. The principal risks identified were: mineral reserves and resources, dependence on licenses, commodity prices, government regulations, environmental risks and hazards, foreign operations, joint venture risk, insurance and uninsured risk, dependence on key personnel, liquidity risk, currency risk and principal shareholder risk. Details of any risks and uncertainties specific to this year are covered in the operational review in this half year financial report.

### **Forward looking information**

This half year 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**

		<b>Unaudited</b>	Unaudited & restated (see note 2)	<b>Unaudited</b>	Unaudited & restated (see note 2)
		<b>Three months ended 30 June 2009</b>	Three months ended 30 June 2008	<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008
	<b>Note</b>	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Continuing operations</b>					
Revenue		2,984	-	2,984	-
Cost of sales		(1,982)	-	(1,982)	-
<b>Gross profit</b>		<b>1,002</b>	<b>-</b>	<b>1,002</b>	<b>-</b>
Other operating income		791	-	791	-
Administrative expenses	4	(8,251)	(4,497)	(12,472)	(10,589)
Impairment of investment in associate	5	(6,000)	-	(6,000)	-
<b>Loss from operations</b>		<b>(12,458)</b>	<b>(4,497)</b>	<b>(16,679)</b>	<b>(10,589)</b>
Share of results of associates (net of tax)		(32)	-	(154)	-
Finance income	6	757	981	1,443	6,619
Finance costs	6	(873)	(2,240)	(1,190)	(9,073)
<b>Loss before taxation</b>		<b>(12,606)</b>	<b>(5,756)</b>	<b>(16,580)</b>	<b>(13,043)</b>
Taxation		(19)	-	(19)	-
<b>Loss for the period - continuing operations</b>		<b>(12,625)</b>	<b>(5,756)</b>	<b>(16,599)</b>	<b>(13,043)</b>
<b>Discontinued operations</b>					
Profit for the period - discontinued operations	8	-	1,247	-	1,503
<b>Loss for the period</b>		<b>(12,625)</b>	<b>(4,509)</b>	<b>(16,599)</b>	<b>(11,540)</b>
Attributable to:					
- Equity holders of parent		(12,625)	(4,509)	(16,572)	(11,540)
- Minority interest		-	-	(27)	-
		<b>(12,625)</b>	<b>(4,509)</b>	<b>(16,599)</b>	<b>(11,540)</b>
<b>Basic &amp; diluted earnings per share (USD per share)</b>					
From continuing operations	7	(0.12)	(0.05)	(0.16)	(0.13)
From discontinued operations	7	-	0.01	-	0.01
		<b>(0.12)</b>	<b>(0.04)</b>	<b>(0.16)</b>	<b>(0.12)</b>
<b>Condensed consolidated statement of comprehensive income</b>					
Loss for the period		(12,625)	(4,509)	(16,599)	(11,540)
Exchange difference on consolidation of non USD operations <sup>1</sup>		417	9,549	511	11,397
<b>Total comprehensive income for the period</b>		<b>(12,208)</b>	<b>5,040</b>	<b>(16,088)</b>	<b>(143)</b>

<sup>1</sup> The exchange difference on consolidation of non USD operations is entirely attributable to the equity holders of the parent.

As described in note 1, the financial information as at and for the six months ended 30 June 2009 has been reviewed by the Group's auditors, whilst that for the three months ended 30 June 2009 has been neither audited nor reviewed.

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

	Note	Unaudited as at 30 June 2009 \$'000	Audited as at 31 December 2008 \$'000
<b>Non-current assets</b>			
Intangible assets		26,552	20,161
Property, plant and equipment		44,100	1,137
Loan to joint venture	9	17,576	-
Loan to joint venture partner	9	5,750	-
Investment in associates	5	14,816	20,610
Inventories		600	449
Receivables		2,560	-
Convertible loan receivable	15	18,500	18,500
		<b>130,454</b>	<b>60,857</b>
<b>Current assets</b>			
Inventories		44	8
Receivables		6,603	1,735
Receivable from joint venture partner		1,063	1,000
Cash and cash equivalents		245,154	316,286
		<b>252,864</b>	<b>319,029</b>
<b>Total assets</b>		<b>383,318</b>	<b>379,886</b>
<b>Current liabilities</b>			
Current tax liabilities		1,385	-
Deferred consideration payable	9	8,525	-
Trade and other payables		14,838	11,821
		<b>24,748</b>	<b>11,821</b>
<b>Net current assets</b>		<b>228,116</b>	<b>307,208</b>
<b>Non-current liabilities</b>			
Payable to joint venture partner		2,134	-
Other long term payables		2,783	-
Deferred tax liabilities		9,016	32
		<b>13,933</b>	<b>32</b>
<b>Total liabilities</b>		<b>38,681</b>	<b>11,853</b>
<b>Total net assets</b>		<b>344,637</b>	<b>368,033</b>
<b>Equity</b>			
Share capital		398	398
Shares held in employee benefit trust		(13,713)	(5,159)
Share premium account		19,954	19,954
Other reserves		21,300	19,543
Retained earnings		316,286	332,858
<b>Equity attributable to equity holders of the parent</b>		<b>344,225</b>	<b>367,594</b>
<b>Minority interest</b>		<b>412</b>	<b>439</b>
<b>Total equity</b>		<b>344,637</b>	<b>368,033</b>

**London Mining plc**  
**Condensed consolidated statement of changes in equity**

	Share capital \$'000	Shares held in employee benefit trust \$'000	Share premium account \$'000	Retained Earnings \$'000	<sup>1</sup> Warrant and option reserve \$'000	<sup>2</sup> Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000	Minority interest \$'000	Total equity \$'000
<b>Balance at 31 December 2007 (audited)</b>	362	-	101,093	(21,243)	11,493	18,377	110,082	-	110,082
<b>Changes in equity for the six months ended 30 June 2008</b>									
Exchange difference on consolidation of non USD operations	-	-	-	-	-	11,397	11,397	-	11,397
Recognition of share-based payments	-	-	-	-	6,424	-	6,424	-	6,424
Issue of share capital (net of expenses)	6	-	2,251	-	(969)	-	1,288	-	1,288
Acquisition of subsidiary	-	-	-	-	-	-	-	476	476
Loss for the period	-	-	-	(11,540)	-	-	(11,540)	-	(11,540)
<b>Balance at 30 June 2008 (unaudited)</b>	368	-	103,344	(32,783)	16,948	29,774	117,651	476	118,127
<b>Changes in equity for six months ended 31 December 2008</b>									
Exchange difference arising on change in functional currency	-	-	-	-	-	(5,382)	(5,382)	-	(5,382)
Exchange difference on consolidation of non USD operations	-	-	-	-	-	(5,229)	(5,229)	-	(5,229)
Recognition of share-based payments	-	877	-	-	4,594	-	5,471	-	5,471
Issue of share capital (net of expenses)	30	-	22,726	2,586	(6,481)	-	18,861	-	18,861
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 shares for Employee Benefit Trust	-	(6,036)	-	-	-	-	(6,036)	-	(6,036)
Foreign exchange disposed on sale of subsidiary	-	-	-	-	-	(14,681)	(14,681)	-	(14,681)
Profit for the period	-	-	-	597,658	-	-	597,658	(37)	597,621
<b>Balance at 31 December 2008 (audited)</b>	398	(5,159)	19,954	332,858	15,061	4,482	367,594	439	368,033
<b>Changes in equity for six months ended 30 June 2009</b>									
Exchange difference on consolidation of non USD operations	-	-	-	-	-	511	511	-	511
Recognition of share-based payments	-	-	-	-	1,246	-	1,246	-	1,246
Acquisition of shares by Employee Benefit Trust	-	(8,554)	-	-	-	-	(8,554)	-	(8,554)
Loss for the period	-	-	-	(16,572)	-	-	(16,572)	(27)	(16,599)
<b>Balance at 30 June 2009 (unaudited)</b>	398	(13,713)	19,954	316,286	16,307	4,993	344,225	412	344,637

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

<sup>2</sup> This includes exchange differences arising on the change in functional currency of the company which occurred in the year ended 31 December 2008.

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

		<b>Unaudited</b>	Unaudited & restated (see note 2)
		<b>Six months ended 30 June 2009</b>	Six months ended 30 June 2008
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Cash used by operations	<b>10</b>	<b>(10,402)</b>	(6,811)
Interest received		<b>612</b>	1,831
Interest expense		<b>(15)</b>	(4,027)
<b>Net cash outflow from operating activities – continuing operations</b>		<b>(9,805)</b>	(9,007)
<b>Net cash inflow from operating activities – discontinued operations</b>		<b>-</b>	3,136
<b>Net cash outflow from operating activities – total Group</b>		<b>(9,805)</b>	(5,871)
<b>Cash flows from investing activities</b>			
Transaction costs paid on sale of discontinued operations		<b>(541)</b>	-
Cash in on acquisition of joint venture		<b>140</b>	-
Loans to and investments in associates		<b>-</b>	(200)
Loan to joint venture	<b>9</b>	<b>(38,727)</b>	-
Loan to joint venture partner	<b>9</b>	<b>(5,750)</b>	-
Payments to acquire intangible assets		<b>(6,788)</b>	(3,302)
Purchase of property, plant and equipment		<b>(1,531)</b>	(832)
<b>Net cash outflow from investing activities – continuing operations</b>		<b>(53,197)</b>	(4,334)
<b>Net cash outflow from investing activities – discontinued operations</b>		<b>-</b>	(18,326)
<b>Net cash outflow from investing activities – total Group</b>		<b>(53,197)</b>	(22,660)
<b>Cash flows from financing activities</b>			
Acquisition of shares by Employee Benefit Trust		<b>(8,554)</b>	-
Proceeds from issue of ordinary shares		<b>-</b>	906
<b>Net cash (outflow) / inflow from financing activities – continuing operations</b>		<b>(8,554)</b>	906
<b>Net cash outflow from financing activities – discontinued operations</b>		<b>-</b>	(1,587)
<b>Net cash outflow from financing activities – total Group</b>		<b>(8,554)</b>	(681)
<b>Net decrease in cash and cash equivalents</b>		<b>(71,556)</b>	(29,212)
Cash and cash equivalents at beginning of period		<b>316,286</b>	90,718
Exchange differences		<b>424</b>	5,037
<b>Cash and cash equivalents at end of period</b>		<b>245,154</b>	66,543

## **London Mining plc**

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

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#### **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 2008 have been delivered to the Registrar of Companies and are available on the Group's website [www.londonmining.co.uk](http://www.londonmining.co.uk). The auditors reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

The financial information for the three months ended 30 June 2009 has been neither audited nor reviewed. The financial information for the six months ended 30 June 2009 has been reviewed by the company's auditors and their report has been included on page 23.

#### **2. Accounting policies**

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 half year report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated financial statements as applied in the Group's financial statements for the year ended 31 December 2008, except for as described below.

#### **Change in accounting policy**

In the current year, the Group has adopted IFRS 8 'Operating Segments', IAS 1 'Presentation of Financial Statements Revised' and IAS 1 'Presentation of Financial Statements Improvements' with effect from 1 January 2009.

IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board of Directors to allocate resources to the segments and to assess their performance. In contrast, the predecessor standard (IAS 14 'Segment Reporting') required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to the Board of Directors serving only as a starting point for the identification of such segments. The segments identified in accordance with IFRS 8 have not materially changed from those previously disclosed under IAS 14.

As a result, the segmental information required by IAS 34 which is included in note 3 is presented in accordance with IFRS 8.

The adoption of IAS 1 has resulted in the consolidated statement of comprehensive income being presented as a primary statement. The Group has elected to continue to present a separate income statement and statement of comprehensive income.

#### **Functional and presentation currencies**

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

For the purposes of changing the Group's presentation currency, the comparatives for the three and six months ended 30 June 2008 in the consolidated income statement and for the six months ended 30 June 2008 in consolidated cash flow statement have been translated at an average USD / GBP exchange rate of USD 1.974: GBP 1. Financial information for the three and six months ended 30 June 2008 has been presented as 'Unaudited and restated'.

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

**2. Accounting policies (continued)**

**Joint venture entities**

During the period, the Group acquired its first interest in a joint venture entity. A joint venture entity is an entity in which the Group holds a long term interest and shares joint control over the strategic, financial and operating decisions with one or more other venturers under a contractual arrangement.

The Group's share of the assets, liabilities, income, expenditure and cash flows of such jointly controlled entities are accounted for using proportionate consolidation. Proportionate consolidation combines the Group's share of results of the joint venture entity on a line by line basis with similar items in the Group's financial statements.

**Going concern**

After making enquiries, the directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the half-yearly condensed financial statements. Further details are included in the "Liquidity and going concern" section of the Financial Review.

**3. Operating segments**

During the period, the Group was organised into two business segments. These are the mining, extraction and production of iron ore (Iron ore), and the mining, extraction and production of coal (Coal). These segments are the basis on which the board of directors reviews the performance of the Group. The Board of Directors evaluates the performance of the Group principally with reference to profit or loss from operations.

The Group's discontinued operations in the prior year relate to the mining, extraction and production of iron ore. Details of discontinued operations for the three and six months ended 30 June 2008 are listed in note 8.

For the three and six months ended 30 June 2008, the Group had only one business segment, being the mining, extraction and production of iron ore as the coal operations were purchased in the second half of 2008. Consequently, no comparatives have been presented for these periods.

**Three months ended 30 June 2009**

<b>Group</b>	<b>Iron ore</b>	<b>Coal</b>	<b>Corporate</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenue	2,984	-	-	2,984
Cost of sales	(1,982)	-	-	(1,982)
Other operating income	791	-	-	791
Administrative expenses	(3,654)	(654)	(3,943)	(8,251)
Impairment of investments in associates	-	(6,000)	-	(6,000)
<b>Loss from operations - continuing operations</b>	<b>(1,861)</b>	<b>(6,654)</b>	<b>(3,943)</b>	<b>(12,458)</b>
Share of results of associates	-	(32)	-	(32)
Net finance income	13	-	(129)	(116)
Taxation	(19)	-	-	(19)
<b>Loss for the period – continuing operations</b>	<b>(1,867)</b>	<b>(6,686)</b>	<b>(4,072)</b>	<b>(12,625)</b>
<b>Total assets</b>	<b>105,934</b>	<b>34,093</b>	<b>243,291</b>	<b>383,318</b>

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

**3. Operating segments** (continued)

<b>Group</b>	<b>Six months ended 30 June 2009</b>			
	<b>Iron ore \$'000</b>	<b>Coal \$'000</b>	<b>Corporate \$'000</b>	<b>Total \$'000</b>
Revenue	2,984	-	-	2,984
Cost of sales	(1,982)	-	-	(1,982)
Other operating income	791	-	-	791
Administrative expenses	(6,708)	(1,096)	(4,668)	(12,472)
Impairment of investments in associates	-	(6,000)	-	(6,000)
<b>Segment loss - continuing operations</b>	<b>(4,915)</b>	<b>(7,096)</b>	<b>(4,668)</b>	<b>(16,679)</b>
Share of results of associates	-	(154)	-	(154)
Net finance income	12	-	241	253
Taxation	(19)	-	-	(19)
<b>Loss for the period – continuing operations</b>	<b>(4,922)</b>	<b>(7,250)</b>	<b>(4,427)</b>	<b>(16,599)</b>
<b>Total assets</b>	<b>105,934</b>	<b>34,093</b>	<b>243,291</b>	<b>383,318</b>

The financial information for the three months ended 30 June 2009 and 2008 is neither reviewed nor audited.

**4. Administrative expenses**

The key components of administrative expenses are as follows:

	<b>Three months ended 30 June 2009 \$'000</b>	Three months ended 30 June 2008 \$'000	<b>Six months ended 30 June 2009 \$'000</b>	Six months ended 30 June 2008 \$'000
Return Bonus Plan <sup>1</sup>	1,067	-	2,090	-
Share-based payments to consultants	-	441	-	1,094
Staff costs				
Share-based payments to staff, directors and key management	1,430	2,813	1,246	4,704
Directors and key management remuneration excluding share-based payments	1,569	488	1,898	1,576
Other staff costs	944	186	1,827	413
Professional and legal fees	1,925	664	2,922	1,807
Depreciation <sup>2</sup>	117	100	234	184
Operating lease costs – property	183	72	324	125

The financial information for the three months ended 30 June 2009 and 2008 is neither reviewed nor audited.

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

<sup>2</sup> Depreciation of USD 193,000 has also been included within cost of sales in the income statement relating to CGMR BVI. Total depreciation of USD 427,000 is included in the loss for the six months to 30 June 2009.

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

**5. Impairment of investment in associate**

Due to information that has recently come to light in the Pixley Ka Seme application review by the South African Department of Minerals and Energy, Delta Mining Consolidated (Pty) Ltd management has brought to London Mining's attention that it may no longer proceed with this prospect. As a result of this information, London Mining has written down its investment in DMC Coal Mining (Pty) Ltd by USD 6.0 million, reflecting the carrying value the Group attributed to this particular project.

**6. Finance income and costs**

	<b>Three months ended 30 June 2009 \$'000</b>	Three months ended 30 June 2008 \$'000	<b>Six months ended 30 June 2009 \$'000</b>	Six months ended 30 June 2008 \$'000
<b>Finance income</b>				
Interest income from cash and cash equivalents	320	880	614	1,834
Interest income from loans receivable	63	-	63	-
Unwinding of discount on net loan receivable from joint venture	91	-	91	-
Exchange gains	283	101	675	4,785
	<b>757</b>	981	<b>1,443</b>	6,619
<b>Finance costs</b>				
Interest expense	5	-	15	-
Interest on Callable and Puttable Bonds 2007/2012 <sup>1</sup>	-	2,204	-	4,363
Unwinding of discount on long term liabilities	67	-	67	-
Exchange losses	801	36	1,108	4,710
	<b>873</b>	2,240	<b>1,190</b>	9,073

<sup>1</sup> The callable and puttable bonds were repaid in 2008 using proceeds from the disposal of the Group's Brazilian operations.

The financial information for the three months ended 30 June 2009 and 2008 is neither reviewed nor audited.

**7. 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 period, excluding shares held by the Employee Benefit Trust.

	<b>Three months ended 30 June 2009 \$'000</b>	Three months ended 30 June 2008 \$'000	<b>Six months ended 30 June 2009 \$'000</b>	Six months ended 30 June 2008 \$'000
Loss from continuing operations attributable to equity holders of the Company	<b>(12,625)</b>	(5,756)	<b>(16,572)</b>	(13,043)
Profit from discontinued operations attributable to equity holders of the Company	-	1,247	-	1,503
	<b>(12,625)</b>	(4,509)	<b>(16,572)</b>	(11,540)
<b>Weighted average number of ordinary shares in issue</b>	<b>103,135,533</b>	100,811,634	<b>104,622,728</b>	100,321,378

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

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**7. Earnings per share** (continued)

The financial information for the three months ended 30 June 2009 and 2008 is neither reviewed nor audited.

The weighted average number of shares increased in Q2 2008 due to the exercise of warrants. The decrease in the weighted average number of shares during H1 2009 is a result of the Employee Benefit Trust acquiring more shares throughout the period.

**(b) Diluted**

The outstanding options, warrants and LTIP's at 30 June 2009 and 2008 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share are the same for the current and prior period.

**8. Discontinued operations**

On 19 August 2008, the Group completed the sale of its Brazilian operations to ArcelorMittal. Details of this transaction can be found in the Group's annual report for the year ending 31 December 2008.

The results of the discontinued operations included in the consolidated income statement are set out below.

	<b>Three months ended 30 June 2009 \$'000</b>	Three months ended 30 June 2008 \$'000	<b>Six months ended 30 June 2009 \$'000</b>	Six months ended 30 June 2008 \$'000
Revenue	-	3,671	-	7,523
Cost of sales	-	(1,114)	-	(3,181)
<b>Gross profit</b>	-	2,557	-	4,342
Sales and distribution expenses	-	(19)	-	(45)
Administrative expenses	-	(1,654)	-	(2,652)
<b>Profit from operations</b>	-	884	-	1,645
Finance income	-	1,704	-	2,169
Finance costs	-	(255)	-	(885)
<b>Profit before taxation</b>	-	2,333	-	2,929
Taxation	-	(1,086)	-	(1,426)
<b>Profit from discontinued operations</b>	-	1,247	-	1,503
Attributable to: Equity holders of parent	-	1,247	-	1,503

The financial information for the three months ended 30 June 2009 and 2008 is neither reviewed nor audited.

## **9. Investment by London Mining plc in the CGMR BVI joint venture**

On 23 April 2009, the Company completed a joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin) in relation to a 50:50 joint venture company, China Global Mining Resources (BVI) Limited (CGMR BVI). Under the terms of the agreement, the Company subscribed USD 38.7 million for 100 A Shares in CGMR BVI and made a direct loan to Wits Basin for USD 5.75 million, making a total initial investment of USD 44.5 million.

As part of the joint venture agreement, the cash received from London Mining of USD 38.7 million was passed by CGMR BVI to its wholly owned subsidiary China Global Mining Resources Limited (CGMR HK), a Hong Kong entity. CGMR HK then completed the acquisition of two Chinese companies: Xiaonanshan Mining Co Limited (XNS) and Nanjing Sudan Mining Co Limited (Sudan).

This note is set out in two parts. The first summarises the acquisition of XNS and Sudan from the perspective of CGMR BVI, whilst the second part summarises how London Mining plc has accounted for this transaction at a consolidated level.

### **Acquisition of XNS and Sudan by CGMR BVI**

Under the terms of the acquisition, the sellers, Mr Lu Benzhaio and Ms Lu Tinglan, receive consideration of approximately USD 42.25 million in cash (subject to post closing adjustments) in return for the sale of 100% of the equity of XNS and Sudan. Of this consideration, USD 24.77 million has been paid and USD 17.48 million is deferred. Mr Lu Benzhaio has been paid an additional USD 10.21 million by CGMR BVI which is included in the cost of acquisition. He will also receive up to USD 38.64 million under a consulting agreement with CGMR BVI, payable subject to both continuing employment and available cash of CGMR BVI, which will largely flow from the operations of the acquired entities. Hence this amount has been excluded from the cost of acquisition. Under the joint venture arrangements, London Mining will receive priority dividends from CGMR BVI until its USD 44.5 million initial investment is repaid.

CGMR HK has also been granted the right to acquire a further iron ore mining company, Maanshan Zhaoyuan Mining Co Ltd (Matang), which is owned by the sellers of XNS and Sudan.

Under the terms of the XNS and Sudan acquisitions, XNS and Sudan were acquired liability free, and in accordance with this, a cash amount of USD 3.9 million has been held in escrow to be recovered from the sellers for any pre-acquisition liabilities identified post completion.

From the perspective of CGMR BVI, the total cost of the acquisition was USD 58.6 million after taking into consideration directly related transaction costs, management's best estimate of completion adjustments and certain liabilities assumed from the other joint venture partner.

### **Accounting for CGMR BVI by London Mining**

The Company has proportionally consolidated 50% of CGMR BVI from 23 April 2009. For accounting purposes the USD 38.7 million investment in CGMR BVI is treated as debt due from the joint venture of USD 34.9 million (after discounting for the timings of the anticipated cash inflows) and an equity contribution to the joint venture of USD 3.8 million (in exchange for the Group's 50% interest). The Group's consolidated balance sheet at 30 June 2009 shows:

- USD 5.75 million non-current 'loan to joint venture partner' representing the interest-bearing loan to Wits Basin;
- USD 17.58 million non current 'loan to joint venture' representing the joint venture partner's 50% share of the USD 34.9 million liability in CGMR BVI; and
- USD 3.8 million of net assets representing the Group's 50% share of the provisional fair value of the individual gross assets and liabilities of the joint venture. Further details are provided below.

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

**9. Investment by London Mining plc in the CGMR BVI joint venture (continued)**

**Accounting for CGMR BVI by London Mining (continued)**

The provisional fair value of the net assets of CGMR BVI at the date of acquisition and the related net cash outflow are shown below. The fair values presented are provisional and will be finalised by 23 April 2010 as permitted by International Financial Reporting Standards:

	Book value of assets acquired by CGMR BVI 100%	Provisional fair value adjustment and acquisition entries \$'000	Provisional CGMR BVI fair value 100% \$'000	Provisional CGMR BVI fair value 50% \$'000	London Mining Fair value adjustment \$'000	London Mining Total 50% share \$'000
<b>Net assets acquired</b>						
Mineral resources	-	64,722	64,722	32,361	5,008	37,369
Mining rights	2,935	-	2,935	1,468	-	1,468
Tangible assets	7,605	-	7,605	3,802	-	3,802
Other non-current assets	917	-	917	458	-	458
Current assets	568	-	568	285	-	285
Completion balance sheet adjustments	-	6,021	6,021	3,011	-	3,011
Loan due to London Mining plc <sup>(1)</sup>	-	(34,971)	(34,971)	(17,486)	-	(17,486)
Deferred transaction costs payable by joint venture	-	(3,088)	(3,088)	(1,544)	-	(1,544)
Wits Basin liabilities assumed by CGMR BVI	-	(4,244)	(4,244)	(2,122)	-	(2,122)
Transaction costs recoverable from joint venture	-	(1,600)	(1,600)	(800)	-	(800)
Deferred consideration to vendor <sup>(2)</sup>	-	(16,953)	(16,953)	(8,477)	-	(8,477)
Current liabilities	(5,540)	-	(5,540)	(2,770)	-	(2,770)
Deferred tax payable	(192)	(16,180)	(16,372)	(8,186)	(1,252)	(9,438)
<b>Net assets acquired</b>	<b>6,293</b>	<b>(6,293)</b>	<b>-</b>	<b>-</b>	<b>3,756</b>	<b>3,756</b>
Satisfied by:						
Equity contribution by London Mining plc						3,756

(1) As there is a contractual obligation for London Mining to receive an amount equal to its initial investment in the CGMR BVI as priority dividends, the cash paid by London Mining on the acquisition of its China investment is accounted for as a debtor due from the joint venture and not a cost of investment. This loan is interest free and as is expected to be repaid from available profits within three years. It is therefore classified as non-current and has been discounted by applying the ten year USA bond rate of 3.125%.

(2) The deferred consideration shown above is, at present, due for immediate payment and therefore has been included within current liabilities in the Group's balance sheet. However an extension to the term of the liability is expected to be agreed in the near future and its provisional fair value therefore reflects the net present value of the anticipated cash outflows under the terms of the extension. Its carrying value at 30 June 2009, after incorporating an unwinding of the discount factor for the period since acquisition is USD 8.5 million.

The provisional fair value adjustments reflect (i) the valuation of mineral resources purchased, grossed up for the 25% deferred tax liability, and (ii) the discount to fair value of any non-interest bearing long term liabilities or assets. The discount is unwound until the expected repayment date through net finance income.

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

**9. Investment by London Mining plc in the CGMR BVI joint venture (continued)**

The results for the six months to 30 June 2009 include:

<b>Income statement</b>	<b>Share of joint venture <sup>(1)</sup> \$'000</b>	<b>London Mining plc \$'000</b>	<b>Total profit attributable to Chinese operations \$'000</b>
Revenue	2,984	-	2,984
Cost of sales	(1,934)	(48)	(1,982)
Administrative expenses	(155)	-	(155)
Profit from operations, before London Mining management fee	895	(48)	847
London Mining management fee	(791)	1,582	791
<b>Profit from operations</b>	<b>104</b>	<b>1,534</b>	<b>1,638</b>
Net finance income	(176)	201	25
<b>Profit before taxation</b>	<b>(72)</b>	<b>1,735</b>	<b>1,663</b>
Taxation	(31)	12	(19)
<b>Profit since acquisition</b>	<b>(103)</b>	<b>1,747</b>	<b>1,644</b>

<sup>(1)</sup> Group's 50% share since acquisition.

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

	<b>Six months ended 30 June 2009 \$'000</b>	<b>Six months ended 30 June 2008 \$'000</b>
<b>Reconciliation of loss for the period to cash outflows from operating activities</b>		
Loss for the period	(16,599)	(11,540)
Adjusted for:		
Profit for the period - discontinued operations	-	(1,503)
Share of results from associates	154	-
Impairment of investments in associates	5 6,000	-
Depreciation	427	184
Amortisation	360	-
Finance income	(1,443)	(6,619)
Finance costs	1,190	9,073
Share-based payments expense	1,246	5,798
Tax expense	19	-
	<b>(8,646)</b>	<b>(4,607)</b>
(increase) in current receivables	(3,511)	(1,002)
(increase) in inventories	(128)	-
Increase / (decrease) in trade and other payables	1,883	(1,202)
<b>Cash used by operations</b>	<b>(10,402)</b>	<b>(6,811)</b>

### **11. Related party transactions**

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

During the six months to 30 June 2009, a management fee of USD 1.6 million (2008: nil) of which the Group's share is USD 0.8 million was accrued from CGMR BVI to London Mining. At 30 June 2009, London Mining had advanced an amount of USD 38.7 million to CGMR BVI, which will be recovered via priority dividends from available cash of the operations. The Group's share of this balance, which, for reasons outlined in note 9, is recorded on consolidation as a loan at its estimated fair value, of USD 17.6 million. London Mining has also recognised an amount due of USD 1.4 million which relates to consultancy costs and legal fees recoverable from the joint venture.

The Group continues to hold a 20% investment in ICC. G Hossie, the Managing Director of London Mining plc had a beneficial interest of 15% in International Coal Company Limited ("ICC"). This was diluted to 12% on the investment by London Mining plc in August 2008. As a consequence of this interest, Mr Hossie does not represent London Mining on the ICC board and does not participate in any decisions of the London Mining board in relation to ICC.

At 30 June 2009 the directors of the Group, their related parties and entities in which they have a beneficial interest, controlled 3.9% (31 December 2008: 15.9%) of the ordinary shares of the Company.

### **12. Contingent liabilities**

#### **(i) XNS and Sudan**

As at 30 June 2009, the seller of XNS and Sudan has an entitlement to receive a further USD 38.6 million under consulting agreements payable subject to continuing employment and available cash from the operations of the acquired entities.

#### **(ii) Substantial shareholding exemption (SSE)**

Under the terms of the SSE, which granted the disposal of the Group's Brazilian operations tax free status, London Mining is required to reinvest a significant proportion of the proceeds into qualifying trading activities. The Group remains committed to delivering its approved strategy and believes the SSE clearance is still effective.

#### **(iii) Brazil warranty disclosures**

As part of the disposal of the Brazilian operations, the Company 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.

### **13. Capital commitments**

The Group has a capital commitment for the construction of a road in Sierra Leone. At 30 June 2009, USD 1.3 million had been committed, representing progress payments due before 30 April 2010.

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

**14. Composition of the Group**

	Country of incorporation	Principal activity	Ownership interest	
			30 June 2009 %	31 December 2008 %
<b>Subsidiaries:</b>				
London Mining Company Limited	Sierra Leone	Mining	100	100
London Mining Logistics Company Limited	Sierra Leone	Dormant	100	100
Anglo Mexican Mining Ltd	British Virgin Islands	Investment holding company	55	55
Campania Minera Suizo-Mexicana, SA de CV Ltd	Mexico	Mining	54	54
MIL Participacoes Societarias Ltda	Brazil	Administrative company	100	100
Rannerdale Limited	Isle of Man	Investment holding company	100	100
Torbanite One Limited	Isle of Man	Investment holding company	100	100
London Mining Greenland A/S	Greenland	Mining	100	100
Hammersmyth Management Ltd	Canada	Dormant	100	100
<b>Associates:</b>				
DMC Coal Mining (Pty) Ltd	South Africa	Mining	39.3	39.3
International Coal Company Ltd	Cayman Islands	Mining	20.0	20.0
<b>Joint Ventures:</b>				
China Global Mining Resources (BVI) Limited	British Virgin Islands	Investment holding company	50	-
China Global Mining Resources Limited	Hong Kong	Investment holding company	50	-
Xiaonanshan Mining Co Limited	People's Republic of China	Mining	50	-
Nanjing Sudan Mining Co Limited	People's Republic of China	Mining	50	-
Saudi London Iron Limited	Saudi Arabia	Mining	50	-

**15. Events after the balance sheet date**

Non-current assets include a USD 18.5 million convertible loan to DMC Energy, which was due to convert to equity on 31 July 2009 subject to DMC receiving various regulatory approvals by that date. The approvals have not been received as of the date of this report and London Mining is currently in discussions with DMC to reach an agreement on how this loan should convert into DMC equity. As it is still the intention to convert the loan into equity, the convertible loan continues to be disclosed as "non-current" at the period end. London Mining has no obligation to commit further funds to the DMC Group.

**London Mining plc**  
**Auditors' independent review report to London Mining plc**

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We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated cashflow statement, and related notes 1 to 15. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

**Directors' responsibilities**

The half year financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with applicable law.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

**Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report for the six months ended 30 June 2009 based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half year financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.



**Deloitte LLP**  
Chartered Accountants and Statutory Auditors  
London  
26 August 2009

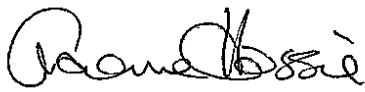
**London Mining plc**  
**Directors responsibility statement**

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We confirm that to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting';
- (b) the information presented in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and results for the period viewed in their entirety;
- (c) the interim management report includes a fair review of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year; and
- (d) the interim management report includes a fair review of disclosure of related parties' transactions and changes therein.

By order of the Board



Managing Director  
Graeme Hossie  
26 August 2009



Finance Director  
Rachel Rhodes  
26 August 2009