

London Mining Plc

Quoted on London AIM (LOND LN) and Oslo Axess (LOND NO)

("London Mining" or the "Company")

Results for the three months to 30 June 2010

Highlights (including post-period)

Marampa, Sierra Leone

- 111Mt grading 33% Fe at a 15% Fe cut-off of new Inferred resources
- Additional resources include 22Mt of weathered material grading 40% Fe at a 15% Fe cut-off that can be incorporated into Phase 1 mine plan
- Construction of Phase 1 tailings operation on schedule for first exports in Q2 2011
- 26,995m out of a planned 28,000m has been drilled at Marampa. Programme is to be increased to 40,000m to expand and upgrade the resource

Wadi Sawawin, Saudi Arabia

- Updated BFS resulted in a material improvement in the project economics
- New agreement signed on 20 July 2010, will give London Mining a direct free carried interest of 25% in the project

Isua, Greenland

- Prefeasibility study confirmed for a 21 year operation with a production rate of 10Mtpa of premium pellet feed
- Feasibility study for the 10Mtpa operation expected to be completed by end 2011

CGMR, China

- Production halted pending consolidation of enlarged licence
- Raising of tailings dam completed
- Arbitration ongoing between CGMR and vendor of Sudan plant over deferred payment timing
- USD 14.2 million provision made against receivables of CGMR and Wits Basin following delay in mine consolidation

Colombia

- First coke production expected in Q2 2011
- Exploration programme initiated

Corporate

- The Company is fully funded to deliver key project milestones: cash position USD 158.8 million at 30 June 2010
- USD 60 million revolving credit facility, credit approved term sheet agreed with Standard Chartered Bank

Commenting on the results, Chief Executive Officer Graeme Hossie said: *“We are excited to announce the discovery of over 110Mt of additional Inferred resources at our flagship Marampa project, including a higher grade fraction which has the potential to significantly enhance the economics of the project. We are well advanced with final procurement and remain on track for first shipments in Q2 2011.”*

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Operating Review

The principal activities of the Group during the period were the development and operation of mines for the global steel industry, conducted through its four key iron ore properties in Sierra Leone, Saudi Arabia, Greenland and China as well as through its coking business in Colombia.

Summary data for these key projects are:

	Sierra Leone	Saudi Arabia	Greenland	China
Project	Marampa	Wadi Sawawin	Isua	CGMR
Ownership (%)	100	25	100	50
First production (year)	2011	2014	2015	Producing
Target production (Mtpa of concentrate)	9	5	10	1

Total resources as at August 2010

Asset	Ownership	Cutoff	Measured		Indicated		Inferred		Total	
			Mt	% Fe	Mt	% Fe	Mt	% Fe	Mt	% Fe
Marampa (tailings)	100	10	0	0	42	21	0	0	42	21
Marampa (primary)	100	15	0	0	0	0	503	31	503	31
Wadi Sawawin	25	30	0	0	248	40	135	39	382	40
Isua	100	20	0	0	114	37	837	36	951	36
Total (100% basis)			0	0	404	37	1,475	35	1,878	35

Marampa, Sierra Leone (100%)

Construction is well underway on the Phase 1 tailings operation, with the majority of civil earthworks having been completed ahead of the rainy season as scheduled. Resource definition work has advanced on the primary resource and completion of the prefeasibility study for the Phase 2 expansion remains on course for Q4 2010.

Resources

As a result of the Company's extended drilling programme, additional resources have been found at Campbelltown Ridge and Hospital Ridge, two structures which are connected to Masaboin Hill and Ghafal Hill. Snowden have estimated a combined resource of 111Mt grading 33% Fe Inferred. This includes a weathered portion of 22Mt of softer higher grade ore that could be blended with tailings to increase head grade to 26% Fe and extend the life of the Phase 1 from 5 years to over 7 years with a peak run rate of 3Mtpa concentrate. Of the weathered ore it is estimated that a fraction could be processed without milling (grain size less than 1mm) but the balance could be incorporated if a simple rod mill is installed to process the coarser fraction. The additional resources also mean that steady state production of 9Mtpa over a mine life of over 20 years is now being targeted.

Resources are reported in accordance with the JORC Code 2004.

Campbelltown Ridge and Hospital Ridge Inferred Resource as at August 2010 at a 15% Fe cut-off

Area	Domain	Mt	Fe	Al2O3	SiO2	CaO	P	S
			(%)	(%)	(%)	(%)	(%)	(%)
Hospital Ridge	Highly weathered	1.4	44.8	4.01	29.00	0.11	0.03	0.01
	Moderately weathered	7.9	41.4	2.79	34.02	0.68	0.09	0.01
	Unweathered	54.0	30.7	4.45	37.42	3.64	0.11	0.01
	Total	63.3	32.3	4.23	36.80	3.19	0.10	0.01
Campbell Town Ridge	Highly weathered	3.6	42.3	4.52	31.69	0.01	0.03	0.01
	Moderately weathered	9.3	36.3	4.51	39.24	0.23	0.08	0.01
	Unweathered	35.8	33.7	4.20	38.80	2.20	0.24	0.01
	Total	48.5	34.8	4.28	38.35	1.66	0.19	0.01

Total Marampa resource as at August 2010

Deposit	Category	Cutoff	Mt	Fe	Al2O3	SiO2	CaO	P	S
		(Fe %)		(%)	(%)	(%)	(%)	(%)	(%)
Tailings	Indicated	10	42	21.24	10.16	50.54	0.08	0.06	0.01
Masaboin Hill	Inferred	15	269	30.48	5.01	40.79	2.45	0.14	0.03
Ghafal Hill	Inferred	15	123	31.19	4.67	39.40	2.35	0.14	0.01
Campbell Town Ridge	Inferred	15	48	34.84	4.28	38.35	1.66	0.19	0.01
Hospital Ridge	Inferred	15	63	32.33	4.23	36.80	3.19	0.10	0.01
Total Primary	Inferred	15	503	31.30	4.76	39.72	2.44	0.14	0.02

Phase 1 (Tailings) progress and optimisation

As previously reported, Phase 1 is being designed to produce 1.5Mtpa initially with the ability to expand to 3Mtpa within 12 months of first production. Construction of Phase 1 is on track with the majority of the civil earthworks completed prior to the wet season and as of 1 August 2010, USD 10.7 million of the expected capital budget of USD 114.0 million has been spent with additional funds committed to procure long lead items including the Wet High Intensity Magnetic Separation plant which was ordered in April 2010. The capital programme is scheduled to accelerate once the wet season is over at the end of September and London Mining continues to target commencement of mining in Q1 2011 and first production and export of concentrate in Q2 2011.

The Company has now received approval to refurbish an existing underutilised public road instead of making use of 22km of public highway to connect the mine with a new private road the Company has already built. The refurbishment will be completed prior to the commissioning of the mine and means that the entire route could now be undertaken on a dedicated haul road, permitting the use of 80 tonne twin trailer trucks. This is expected to yield significant cost efficiencies and safety benefits.

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Phase 2 (Primary Ore)

London Mining expects to complete the Marampa pre feasibility study (“PFS”) for the primary ore expansion in Q4 2010, with first production expected in 2013. Production from primary ore is expected to reach a peak of 10Mtpa of concentrate in 2018 before falling to a steady state run-rate of 9Mtpa in 2020.

Ongoing exploration

At the end of July 2010, 26,995m of the 28,000m programme planned for 2010 had been completed. Following success in delineating additional resources at the Campbelltown Ridge and Hospital Ridge deposits, the programme has been expanded to 40,000m in order to upgrade them to the Indicated category as part of the Phase 2 PFS.

Wadi Sawawin, Saudi Arabia (25%)

In July 2010, London Mining announced the results of an updated bankable feasibility study (“BFS”) for Wadi Sawawin and a revised ownership agreement with its joint venture partner National Mining Company (“NMC”).

The updated BFS resulted in a material improvement in the project economics based on a reduction in capex and the increase in long term price forecasts. Potential opportunities exist for further improvement through third party provision of power, desalination and port facilities and the expansion of the project to 10Mtpa.

The updated BFS enhances the feasibility of the Wadi Sawawin project at 5Mtpa of DR pellets and extends the mine life to 20 years. The key economic parameters, based on the detailed analysis undertaken in the BFS, were:

- Total capex including power and desalination plant of USD 1.9 billion (a USD 0.1 billion reduction from the previous BFS reported in December 2009)
- Capex for power and desalination plant of c.USD 0.3 billion
- Initial operating costs of USD 48.3/t pellets (increased from USD 47.4/t)

The Company also announced that under a new agreement signed 20 July 2010, in return for no further material funding requirements and no further dilution in subsequent equity fundings, London Mining will now receive a direct interest of 25% of the Wadi Sawawin project through NMC. NMC holds the historic exploitation licence for the Wadi Sawawin project and three adjacent exploration licences. This agreement superseded the previous agreement whereby London Mining held a 50% interest in a joint venture company, Saudi London Iron Limited, into which the licences were going to be transferred. The transaction is still expected to close in Q4 2010 following the receipt of the necessary government approvals.

NMC and London Mining continue to work jointly on the ongoing application to the Deputy Ministry for Mineral Resources for an exploitation licence for the 5Mtpa 20 year operation and to initiate a process to secure the funding of the Wadi Sawawin project.

Isua, Greenland (100%)

In June 2010 London Mining announced the results of a revised prefeasibility study for its 100% owned Isua magnetite project in Greenland.

Further to the results of the pre-feasibility study for 5Mtpa announced on 25 February 2010, SNC Lavalin completed a prefeasibility study for a 10Mtpa, 21 year life of mine, high-grade concentrate operation and evaluated the use of a combination of local, European, North American and Chinese groups to complete construction. The new study incorporated budgetary quotes from Sinosteel and China Communications Construction Company to deliver a total project capital cost of USD 1.74 billion with an average operating unit cost per tonne of concentrate of USD 27.13/t (accuracy +/-30%) if a combination of local, western and Chinese labour is utilised. Fixed cost infrastructure items including port, access road and pipeline in Isua achieve greatly reduced capital intensity if a 10Mtpa operation is considered, rather than a 5Mtpa operation.

As announced in June 2010, testwork confirmed that Isua ore can produce a concentrate with a specification of 70.2% Fe, 1.9% SiO₂, 0.05% Al₂O₃ and 0.12+/-0.06% S. This product has potential for application as a premium blast furnace pellet

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feed for sale into the European and Chinese steel markets or as a direct reduced pellet feed for use in Hyl type direct reduced iron production in the Middle East.

All necessary base line data collections, advanced field drilling programs, Environmental Impact Assessment (EIA) and Social Impact Assessment (SIA) have been or will be undertaken to facilitate completion of a full feasibility study by the end of 2011. Construction is still estimated to start in 2012 with first production at the beginning of 2015. This timeline will be confirmed once financing is secured and a construction partner selected.

Additional resource drilling continues on site and at the end of July 3,663m of drilling had been completed comprising 1,004m of ice and 2,659m of rock.

CGMR, China (50% Joint Venture)

On 19 August 2010, the Company announced that China Global Mining Resources (HK) Limited ("CGMR"), a subsidiary of the China Global Mining Resources (BVI) Limited joint venture ("CGMR JV") which is held 50:50 with Wits Basin Precious Minerals Inc ("Wits Basin"), received an arbitration claim from the sellers of the Sudan processing plant regarding the payment of the deferred consideration for the purchase. CGMR is in discussions with the sellers of the plant regarding this claim and a resolution (either by agreement or through arbitration) is expected in the next six months. The Sellers have no legal or commercial recourse to London Mining or any of its subsidiaries with respect to this claim.

The claim relates to the timing for payment of deferred consideration of RMB 120 million (USD 17.5 million) payable to the Sellers of the Sudan processing plant entered into between CGMR and the Sellers under the terms of CGMR's acquisition of the Sudan processing plant. CGMR believes the payment is only payable to the extent of available cash within the CGMR JV as stipulated by the equity transfer agreement of Sudan and therefore not payable at this time. It is subject to the decision of the arbitrator whether such stipulation may be upheld in the process of the arbitration. The Sellers, in addition, are seeking liquidated damages for late payment of the deferred consideration of USD 33.0 million plus costs.

CGMR intends to defend this claim to the fullest extent and is also pursuing various claims and counterclaims that it believes it has against the Sellers for their non-compliance with the acquisition terms, including a claim for USD 15.0 million for breach of contract.

As announced originally in May and updated in August 2010, CGMR operations were halted in May 2010 to allow for the tailings dam to be raised as a precautionary measure following heavy rains. The tailings dam work was completed in June 2010 and during the period of non-operation, maintenance was undertaken at the Sudan processing plant. Subsequent to the raising of the tailings dam, mining operations have not resumed due to the enforcement of a requirement from the regulatory authorities in Anhui Province for the mining operations to be consolidated on the CGMR license, held by the Chinese subsidiary Maanshan Xiaonanshan Mining Company Limited ("XNS").

As reported in the Admission Document, the granting of the larger mining lease for the area, incorporating the neighbouring mines, in addition to the original license, required consolidation either through acquisition or amalgamation. CGMR has been investigating interim alternatives to consolidation but no agreement has yet been reached either with the neighbouring mines or with the authorities. However, as a result of the delays to the consolidation exercise and the likely delays to the current fund raising process, the Group has made an impairment to receivables recoverable from CGMR and the JV partner, Wits Basin Precious Minerals Inc, of USD 14.2 million (see the Financial review and note 15). The CGMR JV, led by London Mining's JV partner Wits Basin Precious Minerals Inc, continues to undertake a fund raising process to allow for the consolidation of the license, acquisition of deep mining rights and for payment of the deferred consideration to Mr and Ms Lu. London Mining is not the operator of the CGMR JV and has no intention of committing further material funds to the CGMR JV.

Chile (50%)

On July 30 2010, London Mining announced it had entered into a joint venture with a Chinese and Chilean based partner to take advantage of several iron ore opportunities in the Atacama region of Chile. Under the agreement, London Mining has subscribed for 50% of the shares of the joint venture company, Atacama Mining Resources Corporation ("Atacama"). Atacama holds options over concessions to iron ore deposits in the Atacama region of Northern Chile, an area of known iron ore resources. Atacama is evaluating the concessions with a view to defining a sizable resource to enable offtake and strategic

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partner investment. The concessions are located within a short distance from a number of existing ports and logistics arrangements for export to China are being investigated.

Colombia (100%)

The Company announced in May that it had completed its acquisition of the remaining 80% of International Coal Company Limited ("ICC") that it did not already own for an initial consideration of USD 5.5 million cash and 3.5 million newly issued London Mining plc shares, with a potential further consideration of up to USD 8.5 million and up to 6.3 million London Mining plc shares payable subject to the satisfaction of performance conditions.

All the construction and environmental permits for the coke ovens have been obtained, a construction and a management contract have been signed with a local leading construction group, and earthmoving and civil engineering for the coke batteries is underway. Earthworks are scheduled to be completed in Q3 2010 with construction of the coke ovens due to start in Q4 2010. First coke production is expected in Q2 2011 ramping up to 200ktpa of coke in Q4 2011. In addition a programme to evaluate potential coking coal concessions and resources has been initiated and 1,506m of drilling on the most prospective concessions had been carried out by the beginning of August.

Michael Andrew, Divisional Manager Applied Geosciences of Snowden Mining Industry Consultants BSc, MAUSIMM, who meets the criteria of a qualified person under the AIM Rules - Guidance for Mining, Oil and Gas Companies, has reviewed and approved the information that relates specifically to the reporting of resources for Marampa, Wadi Sawawin and Isua projects contained within this announcement.

About London Mining

London Mining is focused on identifying, developing and operating mines to become a mid-tier supplier to the global steel industry. Its four principal assets in Sierra Leone, Saudi Arabia, Greenland and China all have deliverable production with potential for expansion. The Company listed on the Oslo Axess on 9 October 2007 and on AIM in London on 6 November 2009. It trades under the symbols LOND.L and LOND.NO (Reuters) and LOND LN and LOND NO (Bloomberg).

The Company's website can be found at www.londonmining.co.uk.

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Glossary of Technical Terms:

“Al ₂ O ₃ ”	Alumina
“BFS”	Bankable Feasibility Study
“CGMR”	China Global Mining Resources (HK) Limited, 100% shareholder of two Chinese companies, Xiaonanshan Mining Co Limited (“XNS”) and Nanjing Sudan Mining Co (“Sudan”).
“CGMR JV”	China Global Mining Resources (BVI) Limited, the 100% shareholder of China Global Mining Resources (HK) Limited
“EPCM”	Engineering, Procurement and Construction Management
“Fe”	Iron
“head grade”	the grade of the ore as delivered to the metallurgical plant
“inferred mineral resource”	The part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.
“indicated mineral resource”	the part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations, such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.
“JORC”	Australasian Institute of Mining and Metallurgy Joint Ore Reserves Committee (JORC) code on mineral resources and ore reserves.
“measured mineral resource”	The part of a mineral resource for which quantity,

grade or quality, densities, shape and physical characteristics are so well established that that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

“mineral resource”	A concentration or occurrence of natural, solid, inorganic or fossilised organic material in or on the Earth’s crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge.
“Mt”	Million metric tonnes.
“Mtpa”	A million metric tonnes per annum.
“ore”	A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated.
“PFS”	Pre-feasibility study
“sinter”	Process for agglomerating ore concentrate in which partial reduction of minerals may take place and some impurities may be expelled prior to subsequent smelting and refining
“sinter feed”	Iron ore product used to make sinter.
“SiO ₂ ”	Silica

Financial review

Acquisition of International Coal Company

On 31 March 2010, London Mining announced the acquisition of the remaining 80% of ICC for initial consideration of USD 5.5 million cash and 3.5 million newly issued London Mining plc shares. Potential further consideration of up to USD 8.5 million cash and up to 6.3 million London Mining plc shares would be paid, subject to future performance conditions.

The acquisition was conditional on various completion requirements which were satisfied on 5 May 2010 when the transaction completed and the initial consideration transferred. Total deemed consideration at acquisition was USD 40.0 million, (including the USD 4.3 million fair and carrying value of the Group's previous 20% investment in ICC) and assets acquired were USD 0.7 million. Goodwill recognised on acquisition was USD 39.3 million. Full details of the transaction are disclosed in note 20 to the financial statements.

Results from ICC have been consolidated into the Group reported financial statements with effect from 5 May 2010, being the acquisition date; previously ICC was equity accounted as an associate in the results up to that date and in the prior reporting period. .

1. Income statement

The principal key performance indicator by which the Company measures the performance of its projects going forward is earnings before interest, tax, depreciation and amortisation ("EBITDA"). EBITDA for the six months ended 30 June 2010 is a loss of USD 10.2 million (equivalent 2009: loss of USD 9.9 million).

EBITDA loss for the six months to 2010 is slightly larger than the prior period, due to increased activity at the Sierra Leone project as it ramps up to production in Q1 2011 and the consolidation of ICC, which was previously equity accounted, with effect from May 2010. Increased costs were partially offset by a higher EBITDA contribution from China operations of USD 2.9 million (representing four months production until production ceased in May 2010) versus USD 2.2 million in 2009 (representing only three months production following acquisition in April 2009).

EBITDA for the six months ended 30 June 2010 represents loss from operations of USD 11.6 million, (2009: USD 10.7 million) excluding depreciation of USD 1.4 million, (2009: USD 0.8 million). Included in loss from operations is:

- USD 2.2 million (2009: USD 1.0 million) gross profit in respect of 50% of the profits of Chinese operations held by the joint venture;
- USD 1.2 million (2009: USD 0.8 million) net management fee receivable by the Group from the joint venture after eliminating the Group's 50% share of the fee payable on consolidation. (The USD 1.2 million of accrued other income recorded in the period was written down as part of the impairment of receivables from the joint venture, which was presented separately from loss from operations (see note 15)).
- USD 15.0 million (2009: USD 12.5 million) of administration costs, including
 - i) Staff related costs of USD 7.0 million (2009: USD 7.1 million) comprising:
 - USD 1.8 million (2009: USD 1.9 million) staff costs for Directors and key management.
 - USD 2.3 million of other staff costs (2009: USD 1.8 million). This increase is the result of increased staff numbers and first time consolidation of ICC, which was acquired during the period.
 - USD 1.2 million (2009: USD 2.1 million) non-cash charge arising from the return bonus plan^[1];

^[1] Compensation payments made under the Return Bonus Plan relate to the "Return of Cash" to shareholders in November 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.

1. Income statement (continued)

- A non-cash charge of USD 1.7 million (2009: USD 1.2 million) of share based payments to staff, Directors and key management.
- ii) Other costs:
 - USD 1.8 million (2009: USD 2.6 million) of consultancy and legal fees. Fees were higher in 2009 as a result of increased due diligence activity as management considered a number of business development opportunities including the subsequent investments in China and Colombia.
 - USD 1.4 million (2009: USD 0.8 million) of travel costs. The increase is the result of higher activity from technical and corporate teams as projects reach significant development milestones.
 - USD 1.4 million of administrative costs incurred by the Chinese Joint Venture (2009 USD 0.2 million). Included in the current period cost of USD 1.4 million are operating costs of USD 0.5 million which have been reclassified as administration costs rather than cost of sales due to the production shut down since May 2010.

Impairment of receivables from joint venture

As a result of the continuing cessation of production and the arbitration claim against CGMR (see note 21a) the Group has made an impairment to receivables recoverable from the CGMR JV and joint venture partner of USD 14.2 million. The directors consider a prolonged arbitration claim is likely to delay the current fund raising process which negatively impacts the ability of CGMR to raise the required financing to fund deferred consideration and the consolidation and growth of CGMR to access the wider resource potential.

Loss on disposal of subsidiary

On 31 March 2010 the Company received net cash proceeds of USD 0.8 million in relation to the disposal of its investment in Compania Minera Suizo-Mexicana, SA de CV Ltd, (“CMSM”) a Mexican incorporated entity. CMSM has been deconsolidated from that date and a loss recognised on disposal of USD 0.2 million.

Fair value gain on deferred consideration

A USD 1.0 million gain has been recognised in respect of deferred London Mining plc share consideration payable on the acquisition of ICC. The gain arose due to the revaluation of deferred share consideration to market value reflecting the movement in share price from acquisition to 30 June 2010. See note 20(b) to the financial statements.

Review of tax incentives

As part of its commitment to ensure transparency in the mining industry and to confirm Sierra Leone as a safe investment destination, Sierra Leone has an ongoing independent review process of all in country mineral rights holders. A committee of eight members of the Sierra Leone Government (GOSL) was established in 2009 and is conducting a review of all existing mining company mining license agreements and associated fiscal incentives granted in Sierra Leone. The review will consider compliance with international best practices, global investment incentives and the new Sierra Leone Mines and Minerals Act, issued in December 2009.

London Mining's mining lease awarded in August 2009 including both the tailings and the primary ore is not under review and GOSL remains very supportive of London Mining's production and investment plans. London Mining's MLA and associated package of fiscal incentives were ratified with unanimous support by the parliament of Sierra Leone in February 2010. London Mining has consulted with the committee and expects that the review of its MLA will be conducted promptly. The Company supports efforts to increase transparency in the mining industry in Sierra Leone.

The Company believes that the value of the project will not be impacted materially by this process, and hence the investment programme remains unchanged. The development of the first phase tailings operation at the Marampa mine is on schedule for production in Q1 2011 and we remain committed to be Sierra Leone's first new iron ore producer in the last 35 years.

2. Balance sheet

Equity attributable to equity holders of the parent has fallen from USD 327.2 million at 31 December 2009 to USD 310.4 million at 30 June 2010. The net movement of USD 16.8 million is the result of the loss for the period of USD 26.0 million, (which includes an impairment of receivables from the Chinese joint venture of USD 14.2 million), a net reduction in the warrant and option and employee benefit trust reserves (USD 3.0 million) offset by the issuance of new share capital, (USD 12.4 million) mainly in relation to the acquisition of ICC.

Intangible assets

Intangible assets increased from USD 49.3 million at December 2009 to USD 105.0 million at June 2010. This is primarily the result of the ICC acquisition which has added goodwill of USD 39.3 million and further assets of USD 3.1 million. In addition there has been continued development at key projects in Sierra Leone (USD 3.6 million), Saudi Arabia (USD 6.0 million) and Greenland (USD 5.0 million), less the disposal of Mexico during the period (USD 1.4 million).

Investment in associates; loans and receivables and assets classified as available for sale

At 31 December 2009, London Mining had a convertible loan due from DMC Energy (Proprietary) Limited (“DMC Energy”) and a 39.3% associate investment in DMC Coal Mining (Pty) Limited (“DMC Coal”). On 13 January 2010 London Mining converted the loan and equity investment in DMC Coal into an associate investment of 28.0% of the issued share capital of Delta Mining Consolidated Limited (“DMC Group”).

On 23 April London Mining accepted an offer from Sable Mining Africa Limited (“Sable”) of USD 24.8 million in cash for its interest in DMC Group, pending regulatory approval. Under the terms of a downside protection agreement between the CEO and CFO of DMC, London Mining is entitled to an additional amount of USD 15.2 million. Approval has been received from The South African Regulatory Bank in respect of enforcement of the downside protection agreement. No reversal of the previous USD 6.0 million impairment made in Q2 2009, nor upwards revaluation of the carrying value has been made to reflect the full value of the protection agreement as London Mining is currently in the process of enforcing the downside protection agreement against the CEO and CFO.

As a result the investment in DMC Group at 30 June 2010 is classified as held for sale and the investment in associate has been derecognised at 30 June 2010.

Deferred consideration payable

The USD 8.7 million deferred consideration represents the Group’s 50% share of the residual acquisition cost payable to the sellers of the Chinese operations. The sellers have filed a claim against CGMR regarding immediate payment of this deferred consideration, (see note 21a of the financial statements). The sellers have no legal recourse to London Mining.

The USD 17.4 million non-current deferred consideration relates to the acquisition of ICC and comprises potential deferred cash and share consideration, which are subject to performance milestones.

Movements in equity

Share capital and merger reserve has increased due to the issue of 3.5 million shares as a non-cash transaction as part of the consideration for the acquisition of ICC. Also, during the quarter 170,000 options were exercised by London Mining employees resulting in a net cash inflow of USD 0.3 million.

The shares held in the employee benefit trust reserve have reduced in the period by USD 5.8 million as a result of:

- A reduction of USD 10.0 million as a result of the transfer of 4.7 million shares held by the trust to the Chief Executive Officer following the vesting and subsequent exercise of his nil-cost share awards. The transfer is at the weighted average cost of the total shares held by the trust.
- A reduction of USD 5.0 million in from the sale proceeds of 1.8 million shares sold on behalf of the Chief Executive Officer to fund part of the tax arising on exercise of the nil-cost share awards.

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- USD 9.7 million increase arising from share purchases by the Trust during the period.

2. Balance sheet (*continued*)

The warrant and option reserve has decreased by USD 2.8 million during the six months due to 30 June 2010 due to USD 4.5 million of share based payment charges on exercised options being transferred into retained earnings, which is partially offset by the USD 1.7 million share based payment charge for the period.

3. Cash flow

Total cash decreased in the period to 30 June 2010 by USD 46.6 million to USD 158.8 million.

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

- USD 13.2 million outflow from operating activities, (2009: USD 7.8 million);
- USD 29.0 million outflow from investing activities, (2009: USD 55.2 million); and
- USD 4.4 million outflow from financing activities, (2009: USD 8.6 million).

Operating cash outflow:

The USD 13.2 million operating cash outflow is largely due to the USD 26.0 million loss for the year adjusted for the following items:

- USD 14.2 million impairment of debtors receivable;
- USD 1.7 million non cash share based payment expense;
- Depreciation of USD 1.4 million;
- USD 1.0 million non cash fair value gain on deferred consideration;
- USD 1.0 million share of loss from associates; and
- Working capital outflow of USD 4.4 million, as a result of the increase in receivables from the net management fee and payment of prior year bonuses in the period.

Investing cash flow

The investing cash outflow for 30 June 2009 included USD 44.5 million in respect of the investment in the Chinese joint venture CGMR. Investing outflows for 30 June 2010 included:

- USD 5.1 million net cash outflow in respect of the acquisition of ICC;
- USD 24.6 million spent on intangible assets and property, plant and equipment, reflecting the Group's ongoing development of its projects as follows:
 - USD 8.5 million Marampa, Sierra Leone;
 - USD 8.5 million Wadi Sawawin, Saudi Arabia;
 - USD 5.8 million Isua, Greenland;
 - USD 1.1 million ICC, Colombia; and
 - USD 0.6 million onshore Chinese stay-in-business capital expenditure.

Financing activities

Cash used in financing activities of USD 4.4 million is a result of:

- Inflow of USD 0.3m from the exercise of options;
- Inflow of USD 5.0 million into the employee benefit trust from the sale of shares; and

London Mining plc

Operating and financial review

- Outflow of USD 9.7 million due to purchase of shares by the employee benefit trust.

4. Liquidity and going concern

At 30 June 2010 the Group had cash of USD 158.8 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 to reinvest a significant proportion of the proceeds into qualifying trading activities. Original clearance was sought and received from HMRC in July 2008 and updated on 17 September 2009 which reflects the Group's current plans. The Group remains committed to delivering its approved strategy and believes the SSE clearance is still effective.

It is the Group's intention to fund the near term production operations of Sierra Leone tailings and Colombia coke production as well as the further feasibility work to be performed on the Sierra Leone primary ore production, Greenland and Saudi Arabia from a combination of its own cash resources and additional external financing.

The Group will need to raise additional funds for these near term production operations, and since period end, the Group has agreed a credit approved Term Sheet with Standard Chartered Bank for a USD 60.0 million revolving credit facility. Draw down of the facility is subject to execution of a facility agreement and associated agreements and fulfilment of standard conditions precedent including appropriate security being taken at the subsidiary levels.

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

External funding at the Hong Kong joint venture level is also being sought to finance the expected consolidation and growth of the Chinese operations, although it is noted that a prolonged arbitration claim (see note 15) may delay the fund raising process. London Mining has no intention of, or contractual obligations to, committing further material funds to the CGMR JV.

The Group has limited committed expenditure and retains the ability to defer certain forecast capital expenditures as required were the securing of external facilities to be delayed. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of project commissioning, show that the Group has sufficient liquidity to fund its committed expenditure and will be able to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis.

5. Related party transactions

Related party transactions are disclosed in note 17 of the financial statements.

6. Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the year and could cause actual results to differ materially from expected results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the Annual Report for the year ended 31 December 2009.

Mineral reserves and resources

There are a number of uncertainties inherent in estimating mineral reserves and mineral resources, including many factors beyond the Group's control. Such estimation is a subjective process, and the accuracy of any reserve or resource estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. There can be no assurance that mineral resources can be upgraded to proven or probable mining reserves and recovered.

London Mining plc

Operating and financial review

Dependence on licences

The Group is dependent on the granting and renewal of mining and exploration licences in order to explore for and produce mineral resources from the assets of the Group and its joint venture companies. Failure to obtain a licence, revocation of an existing licence or failure to renew a licence could have a material adverse effect on the Group's financial performance.

Commodity prices

The market price of the Company's shares, financial results, exploration, development and operating activities have previously been, and may in the future be, significantly adversely affected by declines in commodity prices.

Government regulations

The exploration, development and operating activities of the Group are subject to various laws governing exploration, development, mining, processing, taxes, labour standards and occupational health and safety, toxic substances, transportation on land use, water use, land claims of local people and other matters. Although the Group believes that the activities are currently being carried out in accordance with all applicable laws, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Environmental risk and hazards

Government approvals and permits are required in connection with the activities of the Group. To the extent approvals and permits are required and not obtained the Group may be curtailed or prohibited from proceeding with planned exploration, development or operation of mineral properties.

Foreign operations

The Group currently has interests in exploration, development and operating projects in Saudi Arabia, Greenland, China, Sierra Leone, Colombia and China and is looking at opportunities to expand its activities to developing countries in the future. Therefore the activities of the Group are exposed to varying degrees of political and economic risk and other risks and uncertainties.

Joint ventures

Joint ventures involve special risks. The risks may be associated with the possibility that the Group's joint venture partners may (i) have economic or business interests or goals that are inconsistent with or opposed to those of the Group, (ii) exercise veto rights so as to block actions that the Group believes to be in its or the joint venture's best interests, (iii) take action contrary to the Group's policies or objectives with respect to its investments, or (iv) as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under the joint venture or other agreements.

Insurance and uninsured risk

Although the Group maintains insurance to protect against certain risks in such amounts as it considers reasonable and seeks to ensure that its joint venture companies in which it invests do likewise, such insurance will not cover all the potential risks associated with a mining Group's operations and may not be adequate to cover any particular liability.

Dependence on key personnel

The success of the Group is dependent on its senior management. The experience of these individuals will be a factor contributing to the Group's continued success and growth. The loss of one or more of these individuals could have a material adverse effect on the Group's business prospects.

Liquidity and counterparty risk

Liquidity risk is the risk that the Group and the joint venture companies in which it invests may not be able to meet their liabilities as they fall due and as a result, cease trading. The Group's policy on overall liquidity is to ensure that there are committed funds in place which, when combined with available cash resources, are sufficient to meet the funding requirements for the foreseeable future. The Group expects its Chinese and Saudi Arabian joint ventures to raise external finance to fund development. If this finance is not raised, then the timing of these or other projects may have to be delayed, or the Group may need to raise additional financing or seek to recover its investment through other means.

The Group is also exposed to counterparty risk from customers or holders of cash that could result in financial losses should those counterparties become unable to meet their obligations to the Group. The Group uses multiple banks to diversify its counterparty risk.

Currency risk

The Company's functional currency is USD. Iron ore sales and the sales of other minerals and metals are typically denominated in USD while the Group's costs are incurred in several currencies. The Group may undertake hedging activities against these potential fluctuations. However, there are no assurances that hedging strategies, if implemented, would be successful.

7. Forward looking information

This financial report contains certain forward looking statements with respect to the financial condition, results, operations and business of the Group. These statements and forecasts involve risk and uncertainty because they relate to events that depend on circumstances in the future. There are a number of factors that could cause actual results or developments to differ from those expressed or implied by these forward looking statements.

8. Events after the balance sheet date

On 5 July 2010 CGMR received a claim regarding the payment of deferred consideration for the purchase of the Sudan processing plant. The outcome of the claim is to be determined through arbitration. CGMR is in discussions with the sellers of the plant regarding this claim. The sellers have no legal or commercial recourse to London Mining or any subsidiary other than the CGMR JV with respect to this claim. See note 21a to the financial statements for full details.

London Mining has agreed to make additional loans of in aggregate USD 5.0 million, (transferred in July 2010) to the Chilean subsidiary of Atacama to fund acquisitions of a number of concessions in the area and to get exclusive rights from our joint venture partners on future iron ore prospects in Chile. The loans will be repaid to London Mining from the earlier of first sales of ore made by the joint venture or third party funding into the joint venture. Following the drawdown of these loans, the Group's total investment increased to USD 10.6 million.

On 27 July 2010 London Mining announced a revised BFS and a new joint venture agreement in respect of the Wadi Sawawin project. The BFS was updated for a 20 year mine life and resulted in an increase to the project economics. Under the terms of a new agreement with NMC, London Mining will receive a direct interest of 25% of the Wadi Sawawin project through NMC in return for no further material funding requirements and no further dilution.

On 24 August 2010, London Mining has agreed a credit approved term sheet with Standard Chartered Bank for a USD 60.0 million revolving credit facility. Draw down of the facility is subject to execution of a facility agreement, associated agreements and fulfilment of standard conditions precedent, including appropriate security being taken at the subsidiary levels.

London Mining plc
Responsibility statement

We confirm to the best of our knowledge:

- (a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- (b) the operating and financial review contains a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the operating and financial review includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Chief Executive Officer

Graeme Hossie

25 August 2010

Chief Financial Officer

Rachel Rhodes

25 August 2010

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

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 21. We have read the other information contained in the half-yearly 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-yearly 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 the AIM Rules of the London Stock Exchange.

As disclosed in note 1, 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-yearly 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-yearly financial report 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-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
25 August 2010

London Mining plc
Condensed consolidated income statement (unaudited)

		Three months ended 30 June 2010 \$'000	Three months ended 30 June 2009 \$'000	Six months ended 30 June 2010 \$'000	Six months ended 30 June 2009 \$'000
	Note				
Continuing operations					
Revenue		1,588	2,984	4,971	2,984
Cost of sales		(576)	(1,982)	(2,754)	(1,982)
Gross profit		1,012	1,002	2,217	1,002
Other operating income		570	791	1,229	791
Administrative expenses	6	(8,008)	(8,251)	(15,045)	(12,472)
Loss from operations		(6,426)	(6,458)	(11,599)	(10,679)
Impairment of receivables from joint venture	15	(14,224)	-	(14,224)	-
Impairment of investment in associate		-	(6,000)	-	(6,000)
Loss on disposal of a subsidiary		-	-	(236)	-
Fair value gain on deferred consideration	20b	1,005	-	1,005	-
Share of results of associates (net of tax)		(221)	(32)	(1,049)	(154)
Finance income	8	791	757	1,543	1,443
Finance costs	9	(588)	(873)	(1,190)	(1,190)
Loss before taxation		(19,663)	(12,606)	(25,750)	(16,580)
Taxation	5	14	(19)	(252)	(19)
Loss after taxation		(19,649)	(12,625)	(26,002)	(16,599)
Attributable to:					
- Equity holders of parent		(19,649)	(12,625)	(26,002)	(16,572)
- Non-controlling interest		-	-	-	(27)
		(19,649)	(12,625)	(26,002)	(16,599)
Basic & diluted earnings per share (USD per share)					
From continuing operations	10	(0.18)	(0.12)	(0.25)	(0.16)
Condensed consolidated statement of comprehensive income					
Loss for the period		(19,649)	(12,625)	(26,002)	(16,599)
Exchange difference on consolidation of non USD operations ¹		(83)	417	(32)	511
Total comprehensive income for the period		(19,732)	(12,208)	(26,034)	(16,088)

¹ The exchange differences on translating foreign operations are entirely attributable to the equity holders of the parent.

London Mining plc
Condensed consolidated balance sheet
As at 30 June 2010

	Note	Unaudited As at 30 June 2010 \$'000	Audited As at 31 December 2009 \$'000
Non-current assets			
Intangible assets	11	105,011	49,292
Property, plant and equipment		56,060	48,270
Investment in associates	12	-	14,910
Inventories		600	600
Loans and receivables	13	24,281	51,020
		185,952	164,092
Current assets			
Inventories		64	66
Receivables	13	1,163	3,705
Cash and cash equivalents		158,835	205,455
Assets classified as held for sale	12a	28,072	-
		188,134	209,226
Total assets		374,086	373,318
Current liabilities			
Trade and other payables		(23,964)	(21,906)
Deferred consideration	15	(8,741)	(8,659)
Current tax liabilities		(30)	(328)
		(32,735)	(30,893)
Net current assets		155,399	178,333
Non-current liabilities			
Other non-current liabilities		(3,552)	(4,889)
Provisions		(1,438)	(1,412)
Deferred consideration	20b	(17,438)	-
Deferred tax liabilities		(8,509)	(8,565)
		(30,937)	(14,866)
Total liabilities		(63,672)	(45,759)
Total net assets		310,414	327,559
Equity			
Share capital	14	409	398
Share premium account	14	20,435	20,094
Merger reserve	20d	12,000	-
Shares held in employee benefit trust		(8,411)	(14,167)
Other reserves		18,700	21,523
Retained earnings		267,281	299,312
Equity attributable to equity holders of the parent		310,414	327,160
Non-controlling interest		-	399
Total equity		310,414	327,559

London Mining plc
Condensed consolidated balance sheet
As at 30 June 2010

London Mining plc
Condensed consolidated statement of changes in equity
For the six months ended 30 June 2010

	Share capital \$'000	Share premium account \$'000	Merger Reserve \$'000	Shares held in employee benefit trust \$'000	Retained earnings \$'000	¹ Warrant and option reserve \$'000	Foreign exchange reserve \$'000	Equity attributable to equity holders of the parent \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 31 December 2008 (audited)	398	19,954	-	(5,159)	332,858	15,061	4,482	367,594	439	368,033
Changes in equity for the six months ended 30 June 2009										
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 for employee benefit trust	-	-	-	(8,554)	-	-	-	(8,554)	-	(8,554)
Loss for the period	-	-	-	-	(16,572)	-	-	(16,572)	(27)	(16,599)
Balance at 30 June 2009 (unaudited)	398	19,954	-	(13,713)	316,286	16,307	4,993	344,225	412	344,637
Changes in equity for the six months ended 31 December 2009										
Exchange difference on consolidation of non USD operations	-	-	-	(288)	-	-	405	117	-	117
Recognition of share-based payments	-	-	-	2,386	809	(182)	-	3,013	-	3,013
Issue of share capital (net of expenses) on exercise of options	-	140	-	-	-	-	-	140	-	140
Acquisition of shares for employee benefit trust	-	-	-	(2,552)	-	-	-	(2,552)	-	(2,552)
Loss for the period	-	-	-	-	(17,783)	-	-	(17,783)	(13)	(17,796)
Balance at 31 December 2009 (audited)	398	20,094	-	(14,167)	299,312	16,125	5,398	327,160	399	327,559
Changes in equity for the six months ended 30 June 2010										
Exchange difference on consolidation of non USD operations	-	-	-	-	-	-	(32)	(32)	-	(32)
Issue of share capital ²	11	341	12,000	-	-	-	-	12,352	-	12,352
Recognition of share-based payments	-	-	-	-	-	1,654	-	1,654	-	1,654
Exercise of LTIP awards ³	-	-	-	5,756	(6,029)	(4,445)	-	(4,718)	-	(4,718)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(399)	(399)
Loss for the period	-	-	-	-	(26,002)	-	-	(26,002)	-	(26,002)
Balance at 30 June 2010 (unaudited)	409	20,435	12,000	(8,411)	267,281	13,334	5,366	310,414	-	310,414

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

² The USD 12,352,000 issue of share capital includes the fair value of USD 12,011,000 of the 3,500,000 shares issued on the acquisition of the remaining 80% of ICC, see note 20. The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition of International Coal Company where merger relief under the sections 612 and 613 of the Companies Act 2006 applies.

³ On March 31 2010, the London Mining plc Employee Benefit Trust "EBT" transferred 4,718,884 ordinary shares at a carrying value of USD 9,962,000 to Graeme Hossie, CEO, on the exercise of his nil-cost options over 4,718,884 ordinary shares in London Mining, granted under the terms of the London Mining Long Term Incentive Plan (the "LTIP"). The EBT sold 1,837,000 shares it held with a carrying value of USD 5,543,000 for consideration of USD 5,031,000 in order to fund the settlement of the resulting tax liability. Simultaneous to the exercise of the options, the EBT received back from Graeme Hossie 1,837,722 of the shares passed to him at a value 264.75 pence per share, being the market price on exercise, in settlement of USD 7,350,000 tax liability met by the Group. The EBT acquired a further 750,000 shares in the period at a total cost of USD 2,399,000.

London Mining plc
Condensed consolidated cash flow statement
For the six months ended 30 June 2010

		Six months ended 30 June	
		Unaudited	Unaudited
		2010	2009
	Note	\$'000	\$'000
Cash flows from operating activities			
Cash used by operations	16	(12,990)	(8,402)
Interest received		125	612
Interest paid		(31)	(15)
Income taxes paid		(333)	-
Net cash outflow from operating activities		(13,229)	(7,805)
Cash flows from investing activities			
Loans to and investments in joint ventures	15	-	(38,727)
Loans to and investments in associates		(1,500)	-
Other loans and investments net of repayments		1,446	(5,750)
Convertible loans issued to third parties	13	-	(2,000)
Cash acquired on acquisition of a joint venture		-	140
Acquisition of a subsidiary, net of cash acquired	20	(5,061)	-
Payments to acquire intangible assets		(18,495)	(6,788)
Purchase of property, plant and equipment		(6,119)	(1,531)
Proceeds from sale of discontinued operations, net of transaction costs	7	756	(541)
Net cash outflow from investing activities		(28,973)	(55,197)
Cash flows from financing activities			
Acquisition of shares by the Employee Benefit Trust		(9,749)	(8,554)
Net proceeds from sale of shares by the Employee Benefit Trust		5,031	-
Net cash inflow on share capital issued on exercise of options		341	-
Net cash outflow from financing activities		(4,377)	(8,554)
Net decrease in cash and cash equivalents		(46,579)	(71,556)
Cash and cash equivalents at beginning of period		205,455	316,286
Exchange differences		(41)	424
Cash and cash equivalents at the end of the period		158,835	245,154

Prior period cash flows have been reclassified to be consistent with current period presentation.

London Mining plc
Notes to the condensed consolidated financial statements
For the six months ended 30 June 2010

1. General information

London Mining plc is a company incorporated in the United Kingdom under the Companies Act listed on the Oslo Axess stock exchange. The Company also listed on the London AIM stock exchange on 6 November 2009. The address of the registered office is 39 Sloane Street, London, SW1X 9LP.

The financial information for the period ended 30 June 2010 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2009 have been delivered to the Registrar of Companies and are available on the Group's website www.londonmining.co.uk. The auditors reported on those accounts, their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Going concern

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

2. New and revised International Financial Reporting Standards

Adoption of new and revised International Financial Reporting Standards

In the current period the Group has adopted the following new standards:

IFRS 3 Business Combinations (2008).

In the current period the Group has adopted IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively. The May 2010 ICC acquisition has been accounted for in accordance with the revised standard. Goodwill has been measured as the fair value of the consideration transferred less the net recognised amount of the identifiable assets acquired and liabilities assumed at the acquisition date (see note 20). Transaction costs, other than those associated with the issue of equity securities, were expensed as incurred.

IAS 27 Consolidated and Separate Financial Statements (2008)

In the current period the Group has adopted IAS 27 Consolidated and Separate Financial Statements (2008) for accounting for non-controlling interests. The change in accounting policy has been applied prospectively and there was no impact on the Group's results in the current period. From 1 January 2010, acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity of equity holders and therefore no goodwill is recognised.

There are no other standards or interpretations which apply, or are expected to apply, for the first time in the year ended 31 December 2010 which are expected to have any material impact on the Group.

3. Accounting policies

Basis of preparation

The annual financial statements of London Mining plc are prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union (IFRSs). The condensed consolidated financial statements included in this report have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Changes in accounting policy

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 2009.

London Mining plc

Notes to the condensed consolidated financial statements (continued)

For the six months ended 30 June 2010

4. Segment reporting

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

Segment revenues and results (unaudited)

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment. The key segment result presented to the Board of Directors for strategic decision making and allocation of resources is EBITDA. Group EBITDA represents loss from operations excluding depreciation and amortisation, (and therefore excludes share of results of associates and impairments). Group EBITDA is analysed below.

The analysis of the Group's revenue and results from continuing operations by reportable segment for the six months ended 30 June 2010 is as follows:

	Segmental revenue		Segmental result	
	Unaudited Six months ended 30 June 2010 \$'000	Unaudited Six months ended 30 June 2009 \$'000	Unaudited Six months ended 30 June 2010 \$'000	Unaudited Six months ended 30 June 2009 \$'000
Iron ore projects	-	-	(3,156)	(2,194)
- Sierra Leone	-	-	(345)	(528)
- Saudi Arabia	-	-	(269)	(207)
- Greenland	-	-		
- China	4,971	2,984	2,871	2,191
Coal project	-	-	(454)	-
- Colombia	-	-		
Unallocated costs including corporate			(8,894)	(9,154)
Group Revenue	4,971	2,984		
Group EBITDA			(10,247)	(9,892)
Depreciation and amortisation			(1,352)	(787)
Loss from operations			(11,599)	(10,679)
Impairment of receivables from joint venture			(14,224)	-
Impairment of investment in associate			-	(6,000)
Loss on disposal of subsidiary			(236)	-
Fair value gain on deferred consideration			1,005	-
Share of results of associates (net of tax)			(1,049)	(154)
Finance income			1,543	1,443
Finance costs			(1,190)	(1,190)
Loss before taxation			(25,750)	(16,580)

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the six months ended 30 June 2010

4. Segment reporting (continued)

The analysis of the Group's revenue and results from continuing operations by reportable segment for the three months ended 30 June 2010 is as follows:

	Segmental revenue		Segmental result	
	Unaudited Three months ended 30 June 2010 \$'000	Unaudited Three months ended 30 June 2009 \$'000	Unaudited Three months ended 30 June 2010 \$'000	Unaudited Three months ended 30 June 2009 \$'000
Iron ore projects				
- Sierra Leone	-	-	(1,821)	(1,205)
- Saudi Arabia	-	-	(161)	(248)
- Greenland	-	-	(105)	(137)
- China	1,588	2,984	634	2,191
Coal project				
- Colombia	-	-	(454)	-
Unallocated costs including corporate	-	-	(3,954)	(6,389)
Group Revenue	1,588	2,984		
Group EBITDA			(5,861)	(5,788)
Depreciation and amortisation charge			(565)	(670)
Loss from operations			(6,426)	(6,458)
Impairment of receivables from joint venture			(14,224)	-
Impairment of investment in associate			-	(6,000)
Fair value gain on deferred consideration			1,005	-
Share of results of associates (net of tax)			(221)	(32)
Finance income			791	757
Finance costs			(588)	(873)
Loss before taxation			(19,663)	(12,606)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (2009: Nil). All revenue relates to the sale of iron ore concentrate made by CGMR and is made to several local buyers and traders.

EBITDA is net of non-cash charges in relation to share based payments (see note 6), which are included within the unallocated costs above. There are no other material non-cash charges included in EBITDA.

The results of the Group are not highly impacted by seasonality or cyclical.

London Mining plc

Notes to the condensed consolidated financial statements (*continued*)

For the six months ended 30 June 2010

4. Segment reporting (*continued*)

Segment assets and liabilities (unaudited)

		Segment assets		Segment liabilities	
		Unaudited 30 June 2010 \$'000	Audited 31 December 2009 \$'000	Unaudited 30 June 2010 \$'000	Audited 31 December 2009 \$'000
Iron ore projects	- Sierra Leone	27,249	15,724	(3,141)	(991)
	- Saudi Arabia	22,318	16,039	(942)	(2,196)
	- Greenland	25,666	21,041	(328)	(1,483)
	- China	64,337	67,643	(27,044)	(23,890)
Coal project	- Colombia	43,997	-	(17,718)	-
Total		183,567	120,447	(49,173)	(28,560)
Group investment in associates		-	14,910	-	-
Assets held for sale		28,072	-	-	-
Unallocated including corporate		162,447	237,961	(14,499)	(17,199)
Total		374,086	373,318	(63,672)	(45,759)

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than convertible loans and other investments which are classified as "unallocated". All liabilities are allocated to reportable segments other than liabilities held within the corporate head office.

Included in unallocated assets at 30 June 2010 is a total of USD 5.6 million (31 December 2009 USD 5.0 million) of loans receivable in respect of the Group's investment in Chile (see note 13).

5. Taxation

The taxation charge relates solely to the Chinese operations, as all other operations are not yet making taxable profits. No deferred tax assets in respect of unused tax losses has been recognised in these accounts. The Group has generated tax losses which may be carried forward indefinitely, but these will only be recognised once the Group considers that it is probable that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilised.

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the six months ended 30 June 2010

6. Administrative expenses (unaudited)

The key components of administrative expenses are as follows:

	Three months ended 30 June 2010 \$'000	Three months ended 30 June 2009 \$'000	Six months ended 30 June 2010 \$'000	Six months ended 30 June 2009 \$'000
Return Bonus Plan ¹	484	1,067	1,185	2,090
Staff costs				
Share-based payments to staff, directors and other key management ²	694	1,430	1,654	1,246
Directors and key management remuneration excluding share-based payments	959	1,569	1,835	1,898
Other staff costs	1,292	944	2,362	1,827
Professional and legal fees	989	1,925	1,822	2,557
Depreciation and amortisation ³	224	117	446	234
Fees payable to the Group's auditors for the audit of the Group's annual and interim accounts	126	52	335	92
Fees payable to the Group's auditors for other services to the Group	15	44	99	242
Fees payable to other audit firms	59	31	68	31
Operating lease costs – property	182	183	362	324
AIM listing fees (excluding amounts paid to auditors)	-	-	107	-

The costs above exclude USD 1,353,000 and USD 1,161,000 of administration costs before depreciation incurred in the six and three months to June 2010 by the Group's joint venture (Six and three months to June 2009 USD 155,000 and USD 155,000).

¹ 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 certain option holders and two LTIP award holders. Payments are due on vesting of the related option / LTIP award. The USD 1.2 million charge to the income statement in the six months ended 30 June 2010 represents the non-cash charge. Cash payments in the six months were USD 2.1 million (2009: USD 1.5 million) and a further USD 4.7 million is due (subject to the return bonus plan rules), payable over the next three years, of which USD 1.4 million will be covered by proceeds from the exercise of respective options granted in 2009.

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

³ Depreciation of USD 341,000 and USD 906,000 relating to the Group's share of the proportionally consolidated the CGMR JV for the three and six months ended 30 June 2010 respectively has been excluded from the table above, (2009: USD 553,000 for the three and six months to 30 June 2009)

7. Loss on disposal of subsidiary (unaudited)

On 31 March 2010 London Mining received net cash proceeds of USD 756,000 in relation to the disposal by Anglo Mexican Mining Ltd, (a London Mining investment holding company) of CMSM a Mexican incorporated entity. CMSM was deconsolidated at that date and a subsequent loss recognised on disposal of USD 236,000. The disposal does not represent a major line of business or geographical area of operations. The amounts included within the current period income statement have therefore not been reclassified as discontinued and are immaterial in nature.

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

For the six months ended 30 June 2010

8. Finance income (unaudited)

	Three months ended 30 June 2010 \$'000	Three months ended 30 June 2009 \$'000	Six months ended 30 June 2010 \$'000	Six months ended 30 June 2009 \$'000
Finance income				
Interest income from cash and cash equivalents	72	320	125	614
Interest income from loans receivable	89	63	212	63
Unwinding of discount on net loan receivable from joint venture	138	91	275	91
Exchange gains	492	283	931	675
	791	757	1,543	1,443

9. Finance costs (unaudited)

	Three months ended 30 June 2010 \$'000	Three months ended 30 June 2009 \$'000	Six months ended 30 June 2010 \$'000	Six months ended 30 June 2009 \$'000
Interest expense	7	5	13	15
Unwinding of discount on long term liabilities	256	67	376	67
Exchange losses	325	801	801	1,108
	588	873	1,190	1,190

10. Earnings per share (unaudited)**(a) Basic**

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

	Three months ended 30 June 2010 \$'000	Three months ended 30 June 2009 \$'000	Six months ended 30 June 2010 \$'000	Six months ended 30 June 2009 \$'000
Loss from continuing operations attributable to equity holders of the Company	(19,649)	(12,625)	(26,002)	(16,572)
Weighted average number of ordinary shares in issue	108,477,047	103,135,533	105,690,431	104,622,728
Loss per share USD	(0.18)	(0.12)	(0.25)	(0.16)

(b) Diluted

The outstanding options, warrants and LTIP awards at 30 June 2010 and 2009 represent anti-dilutive potential ordinary shares. Therefore, basic and diluted earnings per share are the same for the current and prior period.

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the six months ended 30 June 2010

11. Intangible assets (unaudited)

	Note	Software \$'000	Goodwill \$'000	Mineral rights and exploration and evaluation costs \$'000	Total \$'000
Cost					
1 January 2010		106	-	49,186	49,292
Additions		-	-	15,925	15,925
Acquisition of subsidiary	20a	-	39,314	2,498	41,812
Disposal of subsidiary	20a	-	-	(1,374)	(1,374)
Transfers to tangible fixed assets	20a	-	-	(626)	(626)
Cost at 30 June 2010		106	39,314	65,609	105,029
Amortisation					
1 January 2010		-	-	-	-
Charge for the period		(18)	-	-	(18)
Amortisation at 30 June 2010		(18)	-	-	(18)
Net book value 30 June 2010		88	39,314	65,609	105,011
Net book value 31 December 2009		106	-	49,186	49,292

The goodwill acquired in the period has arisen on the acquisition of International Coal Company Limited, see note 20.

12. Investment in associates

At 31 December 2009 the carrying value in associates consisted of a USD 10,421,000 associate investment in DMC Coal Limited (Pty) and a USD 4,489,000 investment in ICC. As a result of re-structuring, neither of these represent associate investments at 30 June 2010.

a) DMC investment

On 13 January 2010, London Mining converted the USD 18.5 million convertible loan due from DMC Group (see note 13) and its 39.3% net equity investment in DMC Coal into 28.0% of the issued share capital of DMC Group, on a fully diluted basis. The 28.0% holding was diluted during the three months to 31 March 2010 to 27.5%.

On 23 April 2010, London Mining accepted an offer from Sable for USD 24.8 million in cash for its 27.5% interest in DMC Group. The offer is subject only to regulatory approvals relating to change of control in DMC Group and anti-trust matters.

In addition London Mining entered into an agreement on 19 January 2010 with private investment vehicles of Heine van Niekerk and Pieter Wiese, (CEO and CFO respectively of DMC Group), which, inter alia, guaranteed that London Mining would receive total proceeds of USD 40 million in the event of the sale of DMC Group. London Mining has accepted the offer for USD 24.8 million cash from Sable for its 27.5% stake in DMC, and is therefore due under the private agreement a further USD 15.2 million, which it expects to be paid in Sable shares. Approval has been received from The South African Regulatory Bank in respect of enforcement of the downside protection agreement. No reversal of the previous USD 6.0 million impairment made in Q2 2009, nor upwards revaluation of the carrying value has been made to reflect the full value of the protection agreement as London Mining is currently in the process of enforcing the downside protection agreement against the CEO and CFO.

London Mining plc
Notes to the condensed consolidated financial statements (*continued*)
For the six months ended 30 June 2010

12. Investment in associates (*continued*)

The USD 28,072,000 investment in DMC Group has been reclassified to investments held for sale at 30 June 2010 following the Sable offer. The loss in DMC Group has been included in the London Mining accounts until 23 April 2010, the date of acceptance of the Sable offer, at which point the asset was reclassified as held for sale.

b) ICC acquisition

Following the acquisition of 100% of ICC (see note 20) the associate investment in ICC has been disposed of and an acquisition of 100% of ICC recognised. The carrying value of the associate investment has been included in purchase consideration (note 20).

London Mining plc

Notes to the condensed consolidated financial statements (*continued*)

For the six months ended 30 June 2010

13. Loans and receivables

		Unaudited 30 June 2010	Audited 31 December 2009
	Note	\$'000	\$'000
Non-current			
Prepayments		602	590
Loan to joint venture partner	15	-	5,750
Loan to joint venture	15	18,125	17,850
Management fee receivable from joint venture	15	-	2,330
Convertible loans receivable ⁽¹⁾		5,000	5,000
Convertible loans to associates ⁽²⁾		-	19,500
Other receivables ⁽³⁾		554	-
		24,281	51,020
Current			
Prepayments		647	595
Receivable from joint venture partner		-	690
Convertible loan receivable from joint venture partner ⁽⁴⁾		-	1,000
Receivable from joint venture		-	559
Other receivables		516	861
		1,163	3,705
		25,444	54,725

⁽¹⁾ Convertible loans receivable of USD 5.0 million relate to a loan made to Atacama, a company with the option to acquire certain exploration and mining licences in Chile. The loan is unsecured and interest free. The loan is convertible at any time by London Mining into 50% of Atacama.

⁽²⁾ Convertible loans to associates of USD 19.5 million at 31 December 2009 comprised the USD 1.0 million convertible loan advanced to ICC in November 2009 and USD 18.5 million receivable from the DMC Group, which, along with the Group's 39.3% share of DMC Coal, has been converted into a 28.0% holding in DMC Group in January 2010 (see note 12). Following the offer from Sable (see note 12), the investment in DMC Group has been reclassified as held for sale at 30 June 2010.

⁽³⁾ Other receivables of USD 554,000 consist of a loan to British Mining Resources Ltda to fund the drilling program in Chile. This loan bears interest at a rate of 8% over LIBOR. A total of USD 2,029,000 can be drawn down under this facility, which is to be repaid on the earlier of (i) 31 March 2011, (ii) third party funding being received, and (iii) the first profits of any Atacama Group company.

⁽⁴⁾ A convertible loan with the Chinese Joint Venture partner Wits Basin which is convertible into shares in Wits Basin at USD 0.10 per share. This loan is convertible on demand following written notice provided to Wits Basin. Interest is accrued on this at 8% per annum. This loan is repayable on demand, but has been fully impaired in these financial statements, see note 15 for details of the impairment.

14. Share capital (unaudited)

Share capital at 30 June 2010 amounted to USD 409,000. During the three months to 30 June 2010, the Group issued 170,000 ordinary shares following the exercise of options for GBP 1.31 each by employees and 3,500,000 shares as consideration for

London Mining plc

Notes to the condensed consolidated financial statements (*continued*)

For the six months ended 30 June 2010

the acquisition of ICC (see note 20). The share capital increased to 113,253,795 shares at 30 June 2010 as a result of these transactions.

15. Investment by London Mining plc in the CGMR JV

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 the CGMR JV). The CGMR JV through its wholly owned subsidiary, CGMR, a Hong Kong entity, has a 100% interest in two Chinese companies: Xiaonanshan Mining Co Limited (“XNS”) and Nanjing Sudan Mining Co (“Sudan”). Under the terms of the agreement, the Company subscribed USD 38.7 million and made a direct loan to Wits Basin for USD 5.75 million (of which USD 2.0 million was repaid in January 2010), making a total initial investment of USD 44.5 million.

Impairment of receivables relating to the CGMR JV

At 30 June 2010 the Group has made an impairment to receivables recoverable from the CGMR JV and the JV partner, Wits Basin, of USD 14.2 million.

As a result of the continuing cessation of production and the arbitration claim against CGMR (see note 21a) the directors have conducted a review of the recoverability of the Group’s investment in the CGMR JV and all related amounts receivable.

The directors consider a prolonged arbitration claim is likely to delay the current fund raising process, and although it remains the strategy of both the CGMR JV and London Mining to seek third party funding in the joint venture, for valuation purposes at 30 June 2010 London Mining has used a methodology based on fair value less costs to sell. The recoverable amount was determined using the net present value of the forecast cash flows based on the full development of the project, less debt and funding required and incorporating an appropriate discount for sale. This assessment has been made after taking account of London Mining’s preferential right of return of up to USD 44.5 million of any sales proceeds and dividends made under the joint venture Shareholder Agreement with wits basin, giving support to the remaining carrying value.

This impairment has resulted in a reduction in segment assets relating to China of USD 8.8 million (in relation to accrued management fees due from underlying operations of USD 6.8 million and other receivables) and a reduction in unallocated segment assets of USD 5.4 million relating to loans and receivables due from the JV partner. Following the impairment, London Mining has a carrying value in the CGMR JV of USD 37.4 million.

Accounting for the CGMR JV following impairment

The Company has proportionately consolidated 50% of the CGMR JV from 23 April 2009. For accounting purposes the USD 38.7 million investment in CGMR is treated as debt due from the joint venture of USD 34.9 million (discounted 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 2010 following the impairment includes a residual carrying value of USD 37.4 million, comprising:

- USD 18.1 million net non-current ‘loan to joint venture’ representing the joint venture partner’s 50% share of the USD 36.2 million liability in CGMR being the original USD 34.9 million debt due, as noted above, accreted for the unwinding of the discount of the period to 30 June 2010 (included in non-current loans and receivables note 13);
- USD 8.7 million non-current liability, being the Group’s 50% share of the deferred consideration payable to the Chinese vendor; and
- USD 28.0 million in respect of the Group’s 50% share of the net assets in CGMR (after removal of the above items) proportionally consolidated into the Group’s balance sheet.

Cumulative management fees which were recognised as other operating income and receivables from acquisition to 30 June 2010 have been impaired in full – see note 13.

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

For the six months ended 30 June 2010

15. Investment by London Mining plc in the CGMR JV (*continued*)

The unaudited results for the three months ended 30 June 2010 includes:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	1,588	-	1,588
Cost of sales ⁽¹⁾	(363)	-	(363)
Administrative expenses	(1,161)	-	(1,161)
Profit from operations, before London Mining management fee	64	-	64
London Mining management fee	(552)	1,122	570
EBITDA	(488)	1,122	634
Depreciation	(328)	(13)	(341)
(Loss) / profit from operations	(816)	1,109	293
Net finance income	(200)	277	77
Impairment of receivables from joint venture	-	(14,224)	(14,224)
(Loss) / profit before taxation	(1,016)	(12,838)	(13,854)
Taxation	11	3	14
(Loss) / profit	(1,005)	(12,835)	(13,840)

⁽¹⁾ Excluding depreciation

The unaudited results for the six months ended 30 June 2010 includes:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	4,971	-	4,971
Cost of sales ⁽¹⁾	(1,976)	-	(1,976)
Administrative expenses	(1,353)	-	(1,353)
Profit from operations, before London Mining management fee	1,642	-	1,642
London Mining management fee	(1,211)	2,440	1,229
EBITDA	431	2,440	2,871
Depreciation	(850)	(56)	(906)
(Loss) / profit from operations	(419)	2,384	1,965
Net finance income	(462)	550	88
Impairment of receivables from joint venture	-	(14,224)	(14,224)
(Loss) / profit before taxation	(881)	(11,290)	(12,171)
Taxation	(266)	14	(252)
(Loss) / profit	(1,147)	(11,276)	(12,423)

⁽¹⁾ Excluding depreciation

London Mining plc
Notes to the condensed consolidated financial statements (continued)
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15. Investment by London Mining plc in the CGMR JV (continued)

The CGMR acquisition completed on 23 April 2009, therefore the unaudited results are the same for the three and six months ended 30 June 2009, and include:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	2,984	-	2,984
Cost of sales ⁽¹⁾	(1,429)	-	(1,429)
Administrative expenses	(155)	-	(155)
Profit from operations, before London Mining management fee	1,400	-	1,400
London Mining management fee	(791)	1,582	791
EBITDA	609	1,582	2,191
Depreciation	(505)	(48)	(553)
Profit from operations	104	1,534	1,638
Net finance income	(176)	201	25
(Loss) / profit before taxation	(72)	1,735	1,663
Taxation	(31)	12	(19)
(Loss) / profit	(103)	1,747	1,644

⁽¹⁾ Excluding depreciation

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the six months ended 30 June 2010

16. Notes to the cash flow statement

	Note	Unaudited Six months ended 30 June 2010 \$'000	Unaudited Six months ended 30 June 2009 \$'000
Operating activities			
Reconciliation of the loss for the period to cash outflows from operating activities			
Loss after taxation		(26,002)	(16,599)
Adjusted for:			
Share of results from associates		1,049	154
Fair value gain on deferred consideration	20b	(1,005)	-
Impairment of receivables from joint venture and joint venture partner	15	14,224	-
Impairment of investments in associates		-	6,000
Loss on disposal of a subsidiary		236	-
Depreciation and amortisation		1,352	787
Finance income		(1,543)	(1,443)
Finance costs		1,190	1,190
Share-based payments expense		1,654	1,246
Tax expense		252	19
		(8,593)	(8,646)
Increase in non-current receivables		(1,857)	-
Decrease / (increase) in current receivables		599	(1,511)
Decrease / (increase) in inventories		2	(128)
(Decrease) / increase in payables		(3,141)	1,883
Cash outflow from operating activities		(12,990)	(8,402)

Prior period cash flows have been reclassified to be consistent with current period presentation.

Cash and cash equivalents comprise cash in hand and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash.

London Mining plc
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For the six months ended 30 June 2010

17. Related party transactions

At 30 June 2010 the Directors of the Group and their related parties, and entities in which they had a beneficial interest, controlled 6.4% (31 December 2009: 3.9%) of the ordinary shares of the Company.

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

During the six months to 30 June 2010, a management fee of USD 2.4 million (2009: USD 1.6 million) of which the Group's share is USD 1.2 million was accrued from CGMR to London Mining. At 30 June 2010, London Mining had advanced an amount of USD 38.7 million to CGMR, 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 15, is recorded on consolidation as a loan at its estimated fair value, of USD 18.1 million. London Mining also has an amount due of USD 2.0 million which relates to legal fees recoverable from, and bridging loans made to, the joint venture. In the current period the group has impaired USD 8,812,000 of debtors receivable from CGMR as noted in note 15.

ICC acquisition

Graeme Hossie, CEO of London Mining, had a 12% interest in ICC, and received his pro rata share of the consideration, payable on completion, being USD 825,000 cash and rights over 525,000 London Mining shares. He will also receive 15% of any deferred consideration to be paid (see note 20). With the exception of Graeme Hossie, the independent directors of London Mining plc, having consulted with Liberum Capital Limited, its nominated adviser and broker, consider the terms of the transaction to be fair and reasonable in so far as its shareholders are concerned. Liberum Capital Limited has provided the Board with a fairness opinion in relation to the transaction.

LTIP exercise by the Chief Executive Office

On March 31 2010, the London Mining plc Employee Benefit Trust "EBT" transferred 4,718,884 ordinary shares at a carrying value of USD 9,962,000 to Graeme Hossie, CEO, on the exercise of his nil-cost options over 4,718,884 ordinary shares in London Mining, granted under the terms of the London Mining Long Term Incentive Plan (the "LTIP"). The EBT sold 1,837,000 shares it held with a carrying value of USD 5,543,000 for consideration of USD 5,031,000 in order to fund the settlement of the resulting tax liability. Simultaneous to the exercise of the options, the EBT received back from Graeme Hossie 1,837,722 of the shares passed to him at a value 264.75 pence per share, being the market price on exercise, in settlement of USD 7,350,000 tax liability met by the Group.

18. Contingent liabilities

As part of the disposal of the Brazilian operations, London Mining granted certain warranties and indemnities to the purchaser, ArcelorMittal. Having taken appropriate legal advice, the Group believes the likelihood of a material liability arising is remote.

As part of the acquisition of its Chinese joint venture described in note 15, the vendor has an entitlement to receive further consideration of up to USD 38.6 million under consulting agreements payable subject to continuing employment for up to 8 years and available cash in CGMR after the priority repayment of the Group's USD 44.5 million initial investment and subsequent ongoing distribution rights. The Group has not recognised any provision at 30 June 2010 based on the Directors' current expectation that the likelihood of the vendor being entitled to a material balance is remote.

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Notes to the condensed consolidated financial statements (continued)
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19. Capital commitments

	Unaudited 30 June 2010 \$'000	Audited 31 December 2009 \$'000
Commitments for the acquisition of intangible assets	763	1,561
Commitments for the acquisition of tangible assets	9,524	53
Total	10,287	1,614

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20. Acquisition of ICC

On 30 March 2010, London Mining announced the acquisition of the remaining 80% issued share capital of ICC for initial consideration of USD 5.5 million cash and 3.5 million newly issued London Mining shares. The acquisition was conditional on various completion requirements which were satisfied on 5 May 2010 when the acquisition was completed and initial consideration transferred.

London Mining now holds 100% of this investment. ICC is a Cayman Islands incorporated company with operations in Colombia, South America. ICC's strategy is to become a fully integrated developer of coal properties for the international steel and energy markets.

Potential further consideration of up to USD 8.5 million cash and up to 6.3 million shares are payable subject to performance conditions. These conditions include meeting annual or cumulative EBITDA targets in 2011, 2012 and 2013 and the completion of feasibility studies or the acquisition of mining concessions and port opportunities.

a) Consideration paid and assets acquired:

The provisional, unaudited, proforma assets acquired and fair value adjustments are presented below:

	Book value	Provisional fair value adjustments	Fair value of assets at acquisition
	\$'000	\$'000	\$'000
Net assets acquired:			
Goodwill ⁽¹⁾	-	39,314	39,314
Other intangible assets: Mineral resources	2,498	-	2,498
Property, plant and equipment	461	-	461
Current receivables	6	-	6
Cash	439	-	439
Current liabilities	(141)	-	(141)
Loan payable to London Mining plc	(2,567)	-	(2,567)
	696	39,314	40,010
Satisfied by:			
Share of associate			4,255
Cash consideration payable at acquisition date			5,500
Share consideration paid at acquisition date ⁽²⁾			12,011
Deferred consideration ⁽³⁾			18,244
			40,010
Net cash outflow arising on acquisition			
Cash consideration			5,500
Less: cash and cash equivalents acquired			(439)
			5,061

Total consideration paid for 100% of ICC was USD 40.0 million. Assets acquired were USD 0.7 million with goodwill on acquisition recognised of USD 39.3 million and included in intangible assets. The goodwill is not expected to be deductible for tax purposes.

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Notes to the condensed consolidated financial statements (*continued*)

For the six months ended 30 June 2010

20. Acquisition of ICC (*continued*)

- (1) The goodwill arising on the acquisition of ICC is attributable to; the acquisition of land, environmental and construction permits and detailed plans to build coke ovens with a nameplate capacity of 200ktpa; three coking coal concessions in the Socha region of Colombia with an aggregate area of 606 hectares and a contract with Invercoal to develop and earn a 51% interest in a 250ktpa low volatile coking coal mine.
- (2) The fair value of the 3,500,000 ordinary shares issued as part of the consideration paid for ICC of USD 12,011,000, was determined on the basis of the GBP 2.26 share price at 5 May 2010, translated at the USD 1.52: GBP 1 exchange rate at that date.
- (3) The fair value of deferred consideration was determined by reviewing the performance criteria and assessing the probability of each milestone being achieved. Total deferred consideration of USD 18,244,000 comprises USD 5,022,000 cash consideration, discounted to net present value and USD 13,222,000 in deferred equity consideration. This was valued based on an expectation of 4,250,000 shares being payable and using the acquisition date share price of GBP 2.26 and has been discounted to net present value.
- (4) The directors consider the fair value of the Group's previous 20% holding in ICC to equal fair value and as such no gain or loss has been recognised on the initial recording of the transaction.

b) Fair value gain on deferred consideration

At each reporting date the deferred consideration is re-stated to market value based on a re-assessment of the probability of the achievement of individual milestones and the fair value of cash and equity consideration.

For the period from acquisition to the 30 June 2010 there has been no change to probabilities. Deferred equity consideration has been reduced as a result of the fall in share price at acquisition of GBP 2.26 to GBP 2.13 at 30 June 2010. This resulted in a USD 1,005,000 gain which has been recorded in the income statement. This fair value gain, together with the USD 199,000 increase in the deferred consideration as a result of the unwinding of the discount has resulted in the deferred consideration reducing from USD 18,244,000 at acquisition to USD 17,438,000 at 30 June 2010.

The potential undiscounted amount of all future payments that London Mining plc could be required to make under the contingent consideration is USD 5.5 million cash payments and the issuing of USD 36.9 million value of ordinary shares, valued at 30 June 2010. The fair value of the contingent cash consideration arrangement of USD 5.0 million was estimated by applying the 3 month USD LIBOR rate forecast for year of 3.85% to the expected dates of all future payments.

Acquisition related costs included in the administrative expenses in London Mining plc's consolidated income statement for the six months ended 30 June 2010 amounted to USD 155,000 (year ended 31 December 2009 USD 295,000). The future expected costs to be incurred on the issuing of the share capital to the vendors has been estimated to be USD nil.

c) ICC performance

ICC contributed a loss of USD 700,000 to the Group's loss for the six months to 30 June 2010, including a USD 235,000 Group's share of the loss of an associate. If the acquisition of ICC had been completed on the first day of the 2010 financial year the group's revenue would remain the same, but the Group's loss would have increased by USD 937,000 to USD 26,939,000.

d) Merger reserve

Following the issue of the initial 3.5 million shares an amount of USD 12.0 million has been recognised in the merger reserve in relation to the fair value of shares issued over the nominal value, in accordance with Companies Act 2006.

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the six months ended 30 June 2010

21. Events after the balance sheet date

(a) CGMR

i) Arbitration claim

On 5 July 2010 CGMR received a claim regarding the payment of deferred consideration relating to the purchase of the Sudan processing plant. The outcome of the claim is to be determined through arbitration. CGMR is in discussions with the sellers of the plant regarding this claim. The sellers have no legal or commercial recourse to London Mining or any of its subsidiaries.

The claim relates to the timing for payment of deferred consideration of RMB 120 million (USD 17.5 million) under the terms of CGMR's acquisition of the Sudan processing plant. The sellers are seeking immediate payment of the deferred acquisition consideration. CGMR believes the payment is only payable to the extent of available cash within the CGMR JV as stipulated by the equity transfer agreement of Sudan and therefore not payable at this time. It is subject to the decision of the arbitrator whether such stipulation may be upheld in the process of the arbitration. The sellers, in addition, are seeking liquidated damages for late payment of the deferred consideration of USD 33.0 million plus costs. The Group continues to recognise its 50% share of the deferred consideration liability held in the joint venture.

CGMR intends to defend this claim to the fullest extent and is also pursuing various claims and counterclaims that it believes it has against the sellers for their non-compliance with the acquisition terms, including a claim for USD 15.0 million for breach of contract.

The CGMR JV, operated by the joint venture partner, Wits Basin Precious Minerals Inc ("Wits Basin"), with the assistance of London Mining, is continuing to undertake a fund-raising process to allow for the consolidation of the mining license (held by the Chinese subsidiary XNS), for the payment of the deferred consideration from available funds and for the acquisition of deep mining rights. London Mining has no intention of committing further material funds to the CGMR JV.

The claim negatively impacts the ability of CGMR JV to raise the necessary financing to fund consolidation and growth of operations. As a consequence an impairment write down to London Mining's carrying value in the CGMR JV has been made – see note 15.

ii) Cessation of production

As announced in the Operations and Financial Review for the three months to 31 March 2010, the CGMR operations were halted to allow for the tailings dam to be raised as a precautionary measure following recent heavy rains. The tailings dam has been raised and during the period of non-operation, maintenance was undertaken at the processing plant. In the meantime, mining operations remain halted due to a requirement from the regulatory authorities in the Anhui Province for the mining operations of the neighbouring pit to be consolidated on the CGMR license. The consolidation may be undertaken, either through acquisition or amalgamation and London Mining is investigating both alternatives. London Mining is currently undertaking actions to enable single pit operations upon consolidation.

(b) Chile

On 30 July 2010 London Mining announced a joint venture with a Chinese and Chilean based partner to take advantage of several iron ore opportunities in the Atacama region of Chile. The joint venture company, Atacama, through its Chilean subsidiary, holds options over concessions to iron ore deposits in the Atacama region of Northern Chile. Under the agreement, London Mining has subscribed for 50% of the shares of Atacama.

London Mining also agreed to make additional loans of in aggregate USD 5.0 million, (transferred in July) to the Chilean subsidiary of Atacama to fund acquisitions of a number of concessions in the area and to get exclusive rights from our joint venture partners on future iron ore prospects in Chile. The loans will be repaid to London Mining from the earlier of first sales of ore made by the joint venture or third party funding into the joint venture. The subscription by London Mining in Atacama is

21. Events after the balance sheet date (continued)

in consideration for the waiver by London Mining of previously advanced convertible loans in the aggregate amount of USD 5.0 million.

(c) Wadi Sawawin

On 27 July 2010 London Mining announced a revised BFS and a new joint venture agreement in respect of the Wadi Sawawin project. The BFS was updated for a 20 year mine life and resulted in an increase to the project economics.

Under the terms of a new agreement with NMC, London Mining will receive a direct interest of 25% of the Wadi Sawawin project through NMC in return for no further material funding requirements and no further dilution.

(d) Standard Chartered revolving credit facility

On 24 August 2010, London Mining has agreed a credit approved term sheet with Standard Chartered Bank for a USD 60.0 million revolving credit facility. Draw down of the facility is subject to execution of a facility agreement and associated agreements and fulfilment of standard conditions precedent, including appropriate security being taken at the subsidiary levels.