

London Mining Plc

Commentary on interim results for the three months to 30 September 2007 (unaudited)

During the third quarter of 2007, the Group has established a solid platform for future profitability in order to realize the strategy of maximising stakeholder returns by identifying and implementing international projects with superior rates of return.

London Mining Brasil Mineracao Ltda (formerly Minas Itatiaiuçu Ltda)

The name of Minas Itatiaiuçu Ltda was changed to London Mining Brasil Mineracao Ltda on 29 August 2007.

Granulado sales from the date of acquisition of London Mining Brasil Mineracao Ltda to 30 September 2007 amounted to 185,764 tonnes, with sales during the third quarter being 110,957 tonnes at an average selling price of 38.18 US Dollars per tonne.

A Memorandum of Understanding was signed by the Company and Companhia Siderurgica Nacional ("CSN") on 24 August 2007 for the use of CSN's iron ore export facility at Port Sepetiba. Negotiations are in progress to finalise a detailed contract in this regard.

In line with the strategy of adding shareholder value by producing and exporting sinter feed, the following activities were carried out during the third quarter:

- the making of steady progress on the procurement of all major components of the sinter feed plant and supporting infrastructure;
- obtaining the necessary environmental approvals in respect of the construction of the sinter feed plant;
- the signing by London Mining Brasil Mineracao Ltda of a three year contract with Terminal Serra Azul Logistica Ltda ("TSA") for the provision by TSA of rail loadout facilities at Souza Noschese, approximately 35 kilometres by road from the mine site;
- the conducting of negotiations to gain access to the Terminais de Carga de Sarzedo Ltda rail loadout facility located at Sarzedo, around 45 kilometres by paved road from the mine site; and
- the appointment by London Mining Brasil Mineracao Ltda of a Commercial, Marketing and Technical Support Director and a Head of Engineering and Construction, both with over thirty years of experience in the mining industry.

Marampa, Sierra Leone

Steady progress is being made by London Mining Company Limited, the 100% controlled subsidiary of London Mining Plc, towards the objective of recommencing mining of the tailings deposit at Marampa Mine in late 2008 or early 2009.

Pursuant to the completion in July 2007 of the final report in respect of the pilot plant testing work undertaken during the second quarter of 2007, a flowsheet for future production has been formulated.

A Memorandum of Understanding was entered into between London Mining Company Limited and the Government of Sierra Leone ("GoSL") on 27 August 2007 for the proposed lease of the railway line from Marampa Mine to the Pepel port as well as the Pepel port and its facilities from GoSL. Negotiations to finalise the detailed terms of an agreement in respect of the proposed lease as well as the detailed terms of the mining lease in respect of the Marampa Mine are underway and as yet, the conditions that would give rise to the amounts of 1,400,000 US Dollars and 2,900,000 US Dollars reflected as contracted capital commitments in the audited financial statements for the year ended 31 December 2006 being due and payable on the respective dates of 31 December 2007 and 31 July 2009 have not been met.

Refurbishment and rehabilitation work is currently underway on-site at the Marampa Mine and invitations to tender are being issued for various components of that work.

The Pepel Chiefdom has recently entered into an agreement with London Mining Company Limited for the lease to that company of the Pepel port land area with effect from 1 November 2007 for a period of twenty five years, at an initial annual rental of 15,000 US Dollars. A commitment has been given by London Mining Company Limited to repair the Shengbe railway bridge in the area as well the Pepel meeting hall / school roof.

Isua, Greenland

Various studies are underway in respect of the Isua project.

In August 2007, Fugro Airborne Systems completed an aerial magnetometer survey of the Isua Exploration Licence area, the results of which showed several open pit targets for exploration, not covered by ice, near the main Isua orebody. Certain of these will be subject to further exploration in 2008.

Pipeline Systems Incorporated completed a preliminary feasibility study in August 2007 in respect of a 105 kilometre long slurry pipeline, which pipeline would run from the Isua deposit at 830m elevation to Quagssuk Bay in Godthabsfjord at 30m elevation. The respective estimated capital costs for a 5 Mtpa and a 10Mtpa capacity pipeline were found to be 104.3 million US Dollars and 140 million US Dollars.

The Danish National Space Centre of the Technical University of Denmark completed a radar survey of the glacial ice sheet, measuring the thickness thereof using radar and the surface profile using a laser altimeter. Good surface and bottom reflections were obtained for the major part of the flight tracks.

A study of pelletising tests using the Isua concentrate was completed by Studiengesellschaft für Eisenerzaufbereitung ('SGA') on 28 September 2007. The test work comprised the development of a suitable firing pattern and the testing of chemical, physical and metallurgical properties and was performed in SGA's automatised pot grate unit in Liebenburg, Germany. According to the SGA report, the test work has demonstrated that high quality direct reduction grade pellets can be produced from Isua concentrate with chemical, physical and metallurgical properties which match the requirements for a high quality direct reduction feedstock in all respects.

A seabed survey of Taserassuk Bay was carried out by the Danish Geo-technical Institute on 2 October 2007 using a sub-bottom pinger, a reflection seismic sparker, side scan sonar, multi beam echosounder and GPS positioning, with the aim of the survey being to determine the suitability of the area as a port site for Cape-sized ships of 23 metres draught. The final survey report is expected to be released in the fourth quarter of 2007.

Mexico

A 49% interest in Anglo Mexican Mining Limited (“ANMEX”), a company registered in the British Virgin Islands, was acquired by the Company with effect from 1 July 2007. ANMEX owns 98% of Compania Minera Suizo Mexicana, SA de CV, which company holds 100% of the rights to the El Artillero magnetite iron ore prospect near Manzanillo in Mexico.

In terms of an investment agreement entered into between ANMEX and the Company, ANMEX shall, by 28 December 2007, provide the Company with a final mining plan in respect of the mining of the El Artillero deposit. The Company shall then have a period of 60 days from receipt of the final mining plan to make changes thereto and, within its sole discretion, to provide 49% of funding via equity and 51% of funding via loan in an amount of up to 7 million US Dollars for the bringing into production of the El Artillero deposit. If such funding is not provided by the Company, the equity holding of the Company in ANMEX will be reduced from 49% to 5%.

In August 2007, an option over a further exploration licence was negotiated in respect of La Carmelita Mine, which is located approximately 2 kilometers from the Minatitlan gas station and approximately 50 kilometers from the Manzanillo port.

A 1,200m diamond core drilling programme commenced at the EL Artillero site in early October 2007.

Corporate

On 12 July 2007, the establishment of a Group share option scheme was approved and 4,450,000 options, each to acquire one Ordinary Share in the Company at an exercise price of 174.0 pence, were issued to directors and certain Group employees under the terms of the scheme.

The Company formally adopted a Long Term Incentive scheme for senior executives on 13 August 2007 and granted awards under that scheme in favour of Mr CR Brown and Mr G Hossie. Grants of shares under the scheme, as with the Company’s share option plan, fall within the maximum limit of 10% of share capital that may be awarded for share incentive programmes. These awards will entitle Mr Brown and Mr Hossie to 1,500,000 Ordinary Shares each, without payment, if they remain in service with the Company up to and including 13 August 2010. On 20 August 2007, under the scheme, the Company formed a subsidiary, London Mining Trustee Limited (“LTML”), which will buy the requisite Ordinary Shares from the Company at the ruling market price on the date of purchase and hold them until the conditions of the awards have been satisfied. The Company will lend the necessary funds to LTML to fund the acquisition of the Ordinary Shares. No Ordinary Shares had been purchased by LTML as at the date of this commentary.

The right to acquire 66,667 Ordinary Shares on 3 November 2007, without payment, has been granted to a senior employee.

Sir Nicholas Bonsor, Bt. was appointed as a non-executive director of the Company with effect from 1 September 2007.

The Company signed a long term purchasing agreement with Suns Trading Ltd ("Suns") a wholly owned subsidiary of Suns International Holdings Ltd, on 20 August 2007, in terms of which Suns will purchase on a "take or pay" basis the Company's available production exports up to a committed quantity of 4 million tonnes per year. In terms of the agreement, the contract pricing is based on CVRD benchmark prices and an additional marketing fee will be payable to Suns for managing the ongoing commercial and supply arrangements with steel mills in China directly on behalf of London Mining.

As result of the signing of the purchasing agreement, a success fee of 200,000 US Dollars was paid to an external consultant during the quarter and a combination of 500,000 warrants exercisable at a price of 20 pence and 1 million warrants exercisable at a price of 174 pence were granted to that consultant on 20 August 2007. These obligations have previously been reflected as contingent liabilities.

Consultants rendering services to London Mining Company Limited were granted 180,000 options to acquire shares in the Company at an exercise price of 174.0 pence on 13 September 2007.

The total charge during the third quarter in respect of the share-based payments set out above is £1,596,102.

A sudden and sharp appreciation of the Norwegian Krone ("NOK") against sterling during September 2007 led to the incurring of a material unrealized exchange loss arising on translation of the NOK-denominated Callable and Puttable Bonds 2007/2012. The extent of this loss was mitigated by the holding of funds in NOK representing 52% of the outstanding NOK-denominated Bond liability. Since 30 September 2007, the aggregate amount of funds held in NOK has represented between 90% and 100% of the outstanding NOK-denominated Bond liability.

A private placement of 18,824,000 Ordinary Shares at NOK 17 per share was commenced in late September 2007, with 18,402,000 Ordinary Shares being issued on 28 September 2007, raising gross proceeds of NOK 312,834,000 (£28,241,762). The private placement was completed during the first week of October 2007, with 229,000 Ordinary Shares being issued on 1 October 2007, 168,000 being issued on 3 October 2007 and 25,000 being issued on 5 October 2007. The issuing of these 422,000 Ordinary Shares raised gross proceeds in the amount of NOK 7,174,000 (£649,655). In addition to certain issue expenses, commission at a rate of 6.0% and Stamp Duty Reserve Tax ("SDRT") at a rate of 1.5% were paid from the gross proceeds of the issue.

A retail offering of 572,500 new Ordinary Shares at an issue price of NOK 17 each on 3 October 2007 raised gross proceeds of NOK 9,732,500 (£881,047). In addition to certain issue expenses and expenses in respect of the listing of the Ordinary Shares of the Company on the Axess Market of the Oslo Stock Exchange, commission at a rate of 6.0% and SDRT at a rate of 1.5% were paid from the proceeds of the issue.

All of the Ordinary Shares of the Company were listed on the Axess Market of the Oslo Stock Exchange on 9 October 2007.

On 9 October 2007, Malcolm Groat stepped down from the board as Finance Director due to the requirement of the Oslo Stock Exchange to have only two executive directors during listing. On 1 November 2007, Malcolm was reappointed to the board as Finance Director and Company Secretary.

No warrants and options were exercised during the third quarter of 2007. However, subsequent to 30 September 2007, the following warrants have been exercised:

- 30,000 of the warrants issued on 1 May 2006, with an exercise price of 20 pence, on 5 October 2007;
- 12,000 of the warrants issued on 1 May 2006, with an exercise price of 20 pence, on 31 October 2007; and
- 75,000 of the warrants issued on 20 August 2007, with an exercise price of 20 pence, on 15 November 2007.

As at the date of this commentary, 98,935,175 Ordinary Shares were in issue, comprising the following:

- 97,823,675 in issue at 30 September 2007;
- 422,000 issued on completion of the private placement during the first week of October 2007;
- 572,500 issued pursuant to the retail offering on 3 October 2007;
- 30,000 issued on the exercise of warrants on 5 October 2007;
- 12,000 issued on the exercise of warrants on 31 October 2007; and
- 75,000 issued on the exercise of warrants on 15 November 2007.

In addition, as at the date of this commentary, a total of 10,720,500 warrants, each to acquire one Ordinary Share in the Company, had been granted and had not yet been exercised, being exercisable at the following prices:

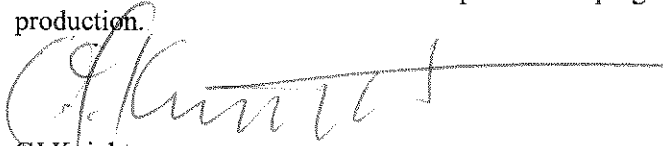
- 1,000,000 exercisable at 8.5 pence;
- 3,383,000 exercisable at 20 pence;
- 1,500,000 exercisable at 125 pence;
- 1,000,000 exercisable at 174 pence; and
- 3,837,500 exercisable at 200 pence.

A total of 4,630,000 options, each to acquire one Ordinary Share in the Company at an exercise price of 174 pence, were in issue at the date of this commentary.

Finally, as at the date of this commentary, rights to take up 3,066,667 Ordinary Shares in the Company, without payment, had been granted and not exercised.

Pioneer Iron and Steel Group Company Ltd ("PSG") purchased five million Ordinary Shares in the Company on 5 October 2007. These shares were acquired from existing shareholders, including 950,000 from Benbrack Charkit Ltd, a company owned by Mr CR Brown, the managing director of the Company, 900,000 from Pelos Strategy Ltd, which company is owned by a trust of which Mr G Hossie, a director of the Company, is a potential beneficiary, and 100,000 directly from Mr Hossie.

On the same date PSG signed a Memorandum of Understanding with the Company in respect of the negotiation of off-take arrangements and the provision by PSG of access to its technical and financial resources to assist the Group in developing infrastructure and expanding its iron ore production.

A handwritten signature in black ink, appearing to read 'CJ Knight', is written over a horizontal line. The signature is cursive and somewhat stylized.

CJ Knight
Chairman

29 September 2007

London Mining Plc
Unaudited condensed consolidated income statement

		Unaudited Three months ended 30 September 2007 £	Unaudited Nine months ended 30 September 2007 £	Unaudited Three months ended 30 September 2006 £	Unaudited Nine months ended 30 September 2006 £	Year ended 31 December 2006 £
	Note					
Revenue		1,648,001	2,754,862	-	-	-
Cost of sales		(816,431)	(1,458,323)	-	-	-
Gross profit		831,570	1,296,539	-	-	-
Operational expenses		(365,311)	(547,855)	(106,618)	(111,310)	(161,838)
Administrative expenses		(4,077,868)	(4,542,638)	(213,503)	(571,115)	(830,119)
Operating loss	5	(3,611,609)	(3,793,954)	(320,121)	(682,425)	(991,957)
Finance income	6	278,043	562,443	2,182	8,641	10,522
Finance costs	7	(1,010,572)	(2,423,695)	(84)	(305)	(110,636)
Loss on ordinary activities before taxation		(4,344,138)	(5,655,206)	(318,023)	(674,089)	(1,092,071)
Taxation	8	23,082	(184,200)	-	-	548
Loss for the period		(4,321,056)	(5,839,406)	(318,023)	(674,089)	(1,091,523)
Attributable to:						
- Equity holders of parent		(4,321,056)	(5,839,409)	(318,023)	(674,089)	(1,091,515)
- Minority interest		-	3	-	-	(8)
		(4,321,056)	(5,839,406)	(318,023)	(674,089)	(1,091,523)
Loss per share expressed in pence per share						
Basic	9	(5.40)	(8.48)	(0.63)	(1.37)	(2.20)
Diluted	9	(5.40)	(8.48)	(0.63)	(1.37)	(2.20)

All the activities of the Group are classified as continuing.

London Mining Plc
Unaudited condensed consolidated balance sheet

		Unaudited As at 30 September 2007 £	As at 31 December 2006 £	Unaudited As at 30 September 2006 £
	Note			
Assets				
Non-current assets				
Intangible assets		4,825,288	3,184,061	3,172,793
Property, plant and equipment		36,981,556	162,998	77,894
Investment in associate		201,859	-	-
Inventories		9,594,525	-	-
Receivables		98,332	-	-
Total non-current assets		<u>51,701,560</u>	<u>3,347,059</u>	<u>3,250,687</u>
Current assets				
Inventories		177,133	-	-
Receivables		1,011,623	917,658	744,655
Cash and cash equivalents		49,001,701	285,566	206,090
Total current assets		<u>50,190,457</u>	<u>1,203,224</u>	<u>950,745</u>
Total assets		<u>101,892,017</u>	<u>4,550,283</u>	<u>4,201,432</u>
Liabilities				
Current liabilities				
Borrowings	10	(99,907)	(2,387,736)	(1,870,131)
Trade and other payables		(4,568,521)	(801,652)	(713,552)
Tax liabilities		(71,143)	-	-
Total current liabilities		<u>(4,739,571)</u>	<u>(3,189,388)</u>	<u>(2,583,683)</u>
Non-current liabilities				
Borrowings	10	(41,415,076)	-	-
Provisions	11	(758,786)	-	-
Deferred tax liabilities		(74,632)	(5,814)	-
Total non-current liabilities		<u>(42,248,494)</u>	<u>(5,814)</u>	<u>-</u>
Total liabilities		<u>(46,988,065)</u>	<u>(3,195,202)</u>	<u>(2,583,683)</u>
Total net assets		<u>54,903,952</u>	<u>1,355,081</u>	<u>1,617,749</u>
Capital and reserves attributable to equity holders of the Company				
Share capital	12	195,647	101,537	101,465
Share premium reserve	12	55,149,687	3,150,731	3,107,153
Other reserves		7,598,743	303,296	192,421
Retained earnings		(8,040,125)	(2,200,716)	(1,783,290)
		<u>54,903,952</u>	<u>1,354,848</u>	<u>1,617,749</u>
Minority interest		-	233	-
Total equity		<u>54,903,952</u>	<u>1,355,081</u>	<u>1,617,749</u>

London Mining Plc
Unaudited condensed consolidated statement of changes in equity

	Share capital	Share premium reserve	Retained earnings	Warrant and option reserve	Foreign exchange reserve	Option premium on convertible loan notes	Equity attributable to equity holders of the Company	Minority interest	Total equity
	£	£	£	£	£	£	£	£	£
Balance at 31 December 2005	96,000	1,804,200	(1,109,201)	-	-	-	790,999	-	790,999
Changes in equity for nine months to 30 September 2006									
Exchange difference on translating foreign operations	-	-	-	-	1,096	-	1,096	-	1,096
Loss for the period	-	-	(674,089)	-	-	-	(674,089)	-	(674,089)
Total recognised income and expense for the period	-	-	(674,089)	-	1,096	-	(672,993)	-	(672,993)
Recognition of share-based payments	-	-	-	191,325	-	-	191,325	-	191,325
Issue of share capital	5,465	1,387,991	-	-	-	-	1,393,456	-	1,393,456
Expenses incurred in issuing share capital	-	(85,038)	-	-	-	-	(85,038)	-	(85,038)
Balance at 30 September 2006	101,465	3,107,153	(1,783,290)	191,325	1,096	-	1,617,749	-	1,617,749
Changes in equity for three months to 31 December 2006									
Exchange difference on translating foreign operations	-	-	-	-	(4,895)	-	(4,895)	(11)	(4,906)
Loss for the period	-	-	(417,426)	-	-	-	(417,426)	(8)	(417,434)
Total recognised income and expense for the period	-	-	(417,426)	-	(4,895)	-	(422,321)	(19)	(422,340)
Acquisition of subsidiary	-	-	-	-	-	-	-	252	252
Recognition of share-based payments	-	-	-	88,644	-	-	88,644	-	88,644
Issue of convertible loan notes	-	-	-	-	-	33,488	33,488	-	33,488
Deferred tax on issue of convertible loan notes	-	-	-	-	-	(6,362)	(6,362)	-	(6,362)
Issue of share capital	72	43,578	-	-	-	-	43,650	-	43,650
Balance at 31 December 2006	101,537	3,150,731	(2,200,716)	279,969	(3,799)	27,126	1,354,848	233	1,355,081
Changes in equity for nine months to 30 September 2007									
Exchange difference on translating foreign operations	-	-	-	-	3,038,536	-	3,038,536	8	3,038,544
Loss for the period	-	-	(5,839,409)	-	-	-	(5,839,409)	3	(5,839,406)
Total recognised income and expense for the period	-	-	(5,839,409)	-	3,038,536	-	(2,800,873)	11	(2,800,862)
Acquisition of minority interest	-	-	-	-	(3)	-	(3)	(244)	(247)
Recognition of share-based payments	-	-	-	1,709,569	-	-	1,709,569	-	1,709,569
Issue of share capital	94,266	56,750,293	-	2,547,345	-	-	59,391,904	-	59,391,904
Cancellation of unpaid shares	(156)	-	-	-	-	-	(156)	-	(156)
Expenses incurred in issuing share capital	-	(4,751,337)	-	-	-	-	(4,751,337)	-	(4,751,337)
Balance at 30 September 2007	195,647	55,149,687	(8,040,125)	4,536,883	3,034,734	27,126	54,903,952	-	54,903,952

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

London Mining Plc
Unaudited condensed consolidated cash flow statement

		Unaudited Nine months ended 30 September 2007	Unaudited Nine months ended 30 September 2006	Year ended 31 December 2006
	Note	£	£	£
Cash flows from operating activities				
Net cash flow from operating activities	14	1,175,898	(1,160,675)	(1,457,560)
Interest received		562,443	8,641	10,522
Interest expense		(879,850)	(305)	(112)
Income taxes paid		(73,392)	-	-
Net cash from operating activities		<u>785,099</u>	<u>(1,152,339)</u>	<u>(1,447,150)</u>
Cash flow from investing activities				
Acquisition of subsidiary, net of cash acquired	2	(33,618,716)	-	-
Investment in associate		(201,859)	-	-
Payments to acquire intangible fixed assets	14	(942,087)	(463,059)	(993,955)
Purchase of property, plant and equipment		(565,506)	(76,384)	(162,268)
Net cash used in investing activities		<u>(35,328,168)</u>	<u>(539,443)</u>	<u>(1,156,223)</u>
Cash flows from financing activities				
Ordinary Shares issued	14	52,093,222	1,308,262	1,351,912
Proceeds from issue of warrants		2,547,345	-	-
Callable and Puttable Bonds 2007/2012 issued		30,133,470	-	-
Convertible loan notes (redeemed) issued		(1,650,000)	-	950,000
Settlement of liability in respect of acquisition of mining lease		(1,360,700)	-	-
Repayments of instalment sale creditor		(55,812)	-	-
Net cash from financing activities		<u>81,707,525</u>	<u>1,308,262</u>	<u>2,301,912</u>
Net increase (decrease) in cash and cash equivalents		47,164,456	(383,520)	(301,461)
Exchange difference on translation		1,551,679	236	(2,347)
Cash and cash equivalents at beginning of period		285,566	589,374	589,374
Cash and cash equivalents at end of period		<u>49,001,701</u>	<u>206,090</u>	<u>285,566</u>

1. Accounting policies

These condensed interim consolidated financial statements as at and for the period of nine months to 30 September 2007 have been prepared in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the year ended 31 December 2006 which have been delivered to the Registrar of Companies, copies of which can be found on the Company's website at <http://www.londonmining.co.uk/documents/223.pdf> or are available upon request from the Company Secretary, Malcolm Groat, London Mining Plc, 47 Charles Street, London W1J 5EL. The auditors' report on those consolidated financial statements was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

The accounting policies applied are consistent with those adopted and disclosed in the annual financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2006.

In the current period, the Group has adopted all of the new and revised International Financial Reporting Standards and IFRIC interpretations that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2007. The effect of application of IFRS 7 *Financial Instruments : Disclosures* and the amendment to IAS 1 in respect of Capital Disclosures is not reflected in these condensed interim consolidated financial statements, but will be reflected in expanded disclosures in the consolidated financial statements for the year ended 31 December 2007. The provisions of IFRIC 11 *IFRS 2 Group and Treasury Share Transactions* have been applied to certain of the options granted during the period.

As at the date of authorisation of these interim consolidated financial statements, the following Standards and Interpretations and amendments thereto were in issue but not yet effective:

- | | |
|--|--------------------------|
| • IFRS 8 <i>Operating Segments</i> | Effective 1 January 2009 |
| • Amendment to IAS 23 <i>Capitalisation of Borrowing Costs</i> | Effective 1 January 2009 |
| • IFRIC 12 <i>Service Concession Arrangements</i> | Effective 1 January 2008 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group, other than in the case of the Amendment to IAS 23, which removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. As major capital expenditure projects to expand production are planned to be undertaken in the next five years, material amounts of interest expense are expected to be capitalised as part of the cost of items of property, plant and equipment making up this capital expenditure.

Pursuant to expansion of the operations of the Group during the period being reported on, a number of additional accounting policies have been adopted and certain existing accounting policies have been expanded, details of which are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from the rendering of services is recognised by reference to the stage of completion of the respective contracts for the rendering of such services.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, including an appropriate portion of fixed and variable overheads. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

London Mining Plc
Notes to the unaudited condensed interim consolidated financial statements

1. Accounting policies (continued)

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price thereof, cost of these items includes directly attributable costs and the estimated present value of any future costs of dismantling and removing the items. The corresponding liability is recognised within provisions.

Proven and probable mineral reserves acquired by way of a business combination are initially recognised at their fair values where such fair values can be reliably determined. Other potential reserves and resources for which, in the opinion of the directors, fair values cannot be reliably determined, are not recognised.

Freehold land is not depreciated. Mineral reserves are depreciated down to their residual values using the unit of production method based on proven and probable reserves. Depreciation is provided on all other items of property, plant and equipment so as to write off the carrying value of an item, less its estimated residual value, on a straight-line basis over the expected useful economic life of that item as follows:

• Office equipment	3 to 5 years
• Fixtures and fittings	3 years
• Motor vehicles	3 to 5 years
• Plant and machinery	3 to 5 years
• Electrical facilities	10 years
• Buildings	25 years
• Refuse dams	5 years

Items of property, plant and equipment which are not yet in the location and condition necessary for such items to be capable of being operated for the purpose intended by management are classified as capital work in progress and are carried at cost, less any recognised impairment loss. Depreciation is only provided in respect of such items once they are in such location and condition.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount of the item and is recognised in profit or loss.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, that entity is classified as an associate. Associates are initially recognised in the consolidated balance sheet at cost. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good the losses.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate and subject to impairment in the same way as goodwill arising on a business combination.

2. Composition of the Group

As at 30 September 2007, the Group comprised the Company and the following directly held subsidiaries:

	Ordinary shares held	Country of incorporation	Principal activity
Hammersmyth Management Ltd	100%	Canada	Dormant
London Mining Company Limited	100%	Sierra Leone	Mining
London Mining Participacoes Ltda	100%	Brazil	Investment holding company
London Mining Trustee Ltd	100%	United Kingdom	Investment holding company

In addition, with effect from 1 July 2007, the Company acquired a 49% holding in Anglo Mexican Mining Ltd ("ANMEX"), a company registered in the British Virgin Islands which controls a group holding exploration and mining rights in respect of an iron ore deposit in Mexico. In terms of an investment agreement entered into between ANMEX and the Company, ANMEX shall, by 28 December 2007, provide the Company with a final mining plan in respect of the mining of the Mexican iron ore deposit. The Company shall then have a period of 60 days from receipt of the final mining plan to make changes thereto and, within its sole discretion, to provide 49% of funding via equity and 51% of funding via loan in an amount of up to 7 million US Dollars for the bringing into production of the iron ore deposit. If such funding is not provided by the Company, the equity holding of the Company in ANMEX will be reduced from 49% to 5%.

On 5 April 2007, London Mining Participacoes Ltda became a wholly-owned subsidiary of the Company.

