

London Mining Plc

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

("London Mining" or the "Company")

Operations and Financial Review for the three months to 30 September 2010

Highlights (including post-period)

Marampa, Sierra Leone

Phase 1

- Phase 1 production expected in Q2 2011, initial run rate increased from 1.5Mtpa to 1.8Mtpa
- Peak production of 3.6Mtpa up from 3Mtpa
- Mine and processing plan modified to accommodate high grade ore and expansion
- Capex increased by USD22m to USD136m including rod mill and extended dedicated haul road to enable additional production capacity. Resulting capital intensity falls from USD76/t to USD75/t
- Improved headgrade and recoveries may enable reduction in operating cost to less than USD29/t from USD 32/t with further reductions expected from expansion to 3.6Mtpa
- Evidence of increased weathered primary ore, with potential to extend Phase 1 beyond current mine plan
- Pilot plant testwork by Outotec produces 1,361kg of 65.5% Fe concentrate suitable for use as sinter feed

Phase 2

- JORC resource of over 0.5 billion tonnes to date
- 93 Mt of Ghafal Hill resource upgraded from Inferred to Indicated
- Further exploration target identified within mine lease of 250-350 Mt with a grade of 28 – 32 % Fe
- Exploration target expected to be upgraded to JORC Inferred category by end of year
- Increased resource supports PFS for up to 16Mtpa operation (previously 9Mtpa), PFS results expected Q1 2011

Corporate

- Cash position at 30 September 2010 of USD114m
- Company planning to raise additional debt finance primarily to fund expanded Marampa Phase 1; total Group borrowings not expected to exceed USD150m

Commenting on the results, Chief Executive Officer Graeme Hossie said:

"We are pleased to announce plans to increase production from Marampa Phase 1 to 1.8Mtpa and then to 3.6Mtpa in 2012. This has a significant positive effect on the project both in terms of reduced operating cost and lower capital intensity. We are also encouraged by results from our recent drilling campaign which have identified a 250 to 350Mt exploration target with a grade ranging 28 – 32 % Fe to the north of Masaboin Hill. These results form the basis of a PFS for Phase 2 on a 16Mtpa project which we now expect to announce in Q1 2011. We continue to progress mine, plant and logistics work for first production from Marampa in Q2 2011."

Operations 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, Greenland, Saudi Arabia, and China as well as through its coke project in Colombia.

Summary data for these key projects are:

	Sierra Leone	Colombia	Greenland	Saudi Arabia	China
Project	Marampa	Socha	Isua	Wadi Sawawin	CGMR
Ownership (%)	100	100%	100	25	50
Product	P1: sinter feed P2: pellet feed	Coke	Pellet feed	DR pellets	Magnetite concentrate
First production (year)	2011	2011	2015	2014	2012
Target production capacity (Mtpa)	16	0.4	10	5	0.4 to 1

Total resources as at November 2010

Asset	Ownership %	Cutoff % Fe	Measured		Indicated		Inferred		Total	
			Mt	% Fe	Mt	% Fe	Mt	% Fe	Mt	% Fe
Marampa (tailings)	100	15	0	0	37	22	0	0	37	22
Marampa (primary)	100	15	0	0	93	30	440	31	533	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	492	37	1,412	35	1,904	35

Marampa, Sierra Leone (100%)

Work continues on three fronts at Marampa: construction and optimisation of Phase 1; resource definition and exploration for Phase 2; and completion of a prefeasibility study ("PFS") for the Phase 2 expansion to exploit the primary orebody.

Construction continues on Phase 1 with the effects of higher grade resources now fully understood and included in the new mine plan with improved head grades and metallurgical recoveries shown to have significant effects on production volumes and operating cost. The identification of a significant exploration target means that the PFS for Phase 2 is now expected in Q1 2011 and is considering steady state production of up to 16Mtpa increased from 9Mtpa.

Resources

As announced in the Q2 2010 interims, the total mineral resource at Marampa stands at 533 Mt of primary ore and 37Mt of tailings. Recent drilling has allowed 93 Mt of the Ghafal resource to be upgraded to the Indicated category and also identified an exploration target to the north of Masaboin Hill ("Masaboin NE"). Snowden Mining Industry Consultants estimate this exploration target to be in the order of 250-350Mt, with a grade ranging 28 – 32 % Fe. This target is located in a previously unmined area of the Marampa mining lease and drill logs indicate the presence of higher grade weathered primary ore which could be included in the Phase 1 mine plan.

As a result, the drilling programme has been expanded to 50,000m (44,152m was completed at 294 sites at the end of October) with a further 10,000 - 15,000m to be completed in 2011.

This drilling is intended to increase the confidence of existing resource estimates. Ongoing work will delineate the new exploration target to the north of Masaboin (“Masaboin NE”) to at least the inferred category by the end of the year. It is anticipated that this work will allow a resource of up to 850Mt tones to be considered in the Phase 2 PFS.

Resources are reported in accordance with the JORC Code 2004.

Total Marampa resource as at November 2010 reported at a 15% Fe cutoff

Deposit	Category	Mt	Fe	Al ₂ O ₃	SiO ₂	CaO	MnO	P	S
			(%)	(%)	(%)	(%)	(%)	(%)	(%)
Tailings	Indicated	37	22.3	9.1	50.8	0.1	1.03	0.05	0.01
Ghafal Hill	Indicated	93	30.2	4.9	40.6	2.5	1.31	0.15	0.01
Ghafal Hill	Inferred	60	31.1	4.8	39.9	2.5	0.73	0.14	0.01
Masaboin Hill	Inferred	269	30.5	5.0	40.8	2.5	0.58	0.14	0.03
Campbelltown Ridge	Inferred	48	34.8	4.3	38.6	1.7	0.05	0.19	0.01
Hospital Ridge	Inferred	63	32.3	4.2	36.8	3.2	1.30	0.10	0.01
Total Primary		533	31.0	4.8	40.1	2.5	0.83	0.14	0.02

Material with elevated manganese concentrations is noted in the Ghafal Hill deposit and the un-weathered portion of the Hospital Ridge deposit. The elevated manganese levels in Ghafal Hill are restricted to the higher Fe grade outer zone. The outer high grade zone represents 47.7 Mt of the Indicated Resources grading 32.2% Fe and 2.3% MnO and 38.1 Mt of the Inferred Resources grading 31.8% Fe and 2.0% MnO. Appropriate blending strategies, processing routes and/or marketing options will be explored to optimise the potential of this material to the proposed operation.

Phase 1 (Tailings) progress and optimisation

The Phase 1 production schedule and operating cost have now been confirmed with the full effects of the weathered primary ore now incorporated. The first production module (Phase 1a) is scheduled to achieve first production of concentrate in Q2 2011. However improved head grade and recovery mean that 1a will now, with some modification to the plant, enable production of 1.8Mtpa of concentrate. Capex for Phase 1a has been revised to include installation of additional power capacity in anticipation of the expansion to 3.6Mtpa, the upgrade and refurbishment of 22km of an old public road to create a complete, dedicated haulage route for London Mining from mine to port and the addition of a rod milling circuit to process higher grade, weathered primary ores. As a result, total capex for Phase 1a is now estimated to be USD135.7m, up from USD113.8m however with the increased capacity, the resulting capital intensity falls from USD76/tonne to USD75/tonne. As of 30 September 2010, USD 64.5m had been committed including USD24.4m already spent.

Construction of the second 1.8Mtpa module incorporating a rod mill (Phase 1b) will commence on a self funded basis in H1 2012. However, in the event that London Mining raises further debt finance, construction would be expected to start as early as Q3 2011 with commissioning expected in Q2 2012. Ausenco estimates capex for Phase 1b at USD63m, reducing total capital intensity down to USD55/tonne.

The current mine plan is based on the assumption that the process plant will be fed a blend of tailings and higher grade, weathered primary resource at a 70:30 ratio with 25% of moderately weathered ore stockpiled for processing through the Phase 2 processing circuit.

Pilot Plant testwork completed at Outotec in Jacksonville, USA, on a bulk sample of tailings produced 1,361 kg of concentrate with a metallurgical iron recovery of 88%. The concentrate had a size of <1mm and produced the following specification:

C	Fe	SiO ₂	Al ₂ O ₃	MgO	CaO	Na ₂ O	K ₂ O	TiO ₂	MnO	P ₂ O ₅ (P)	Loss on ignition
%	65.5	2.28	1.30	0.16	0.09	0.03	0.28	0.32	0.82	0.033 (0.016)	0.53

The pilot plant confirmed the results of previous testwork carried out on a laboratory scale with different samples.

Initial testwork on samples of weathered primary ore indicate that grinding at least to a p80 of 250 micron is required to produce a concentrate with acceptable levels of silica and alumina for use in blends of sintering plants.

The following table shows the potential resource and throughput for the extended and optimised Phase 1 with tailings being blended with the higher grade, weathered primary ore. This production profile assumes funding of the Phase 1b expansion through incremental cash flow. Commissioning of Phase 1b can be accelerated by at least six months if additional external funding is secured.

Phase 1 production profile – assuming financing of expansion from cash flow and tailings resource at 10% Fe cut off

YEAR	2010	2011	2012	2013	2014	2015	2016	2017
Resource (Mt)	57.1	54.5	49.5	39.5	29.5	19.5	9.5	3
Resource Fe grade (%)	26.7	26.7	26.7	26.7	26.7	26.7	26.7	26.7
Throughput (Mtpa)		2.6	5.0	10.0	10.0	10.0	10.0	6.5
Head grade (%Fe)		26.7	26.7	26.7	26.7	26.7	26.7	26.7
Recovery (% Fe)		80	88	88	88	88	88	88
Concentrate grade (% Fe)		65.5	65.5	65.5	65.5	65.5	65.5	65.5
Concentrate produced (Mtpa dry)		0.8	1.8	3.6	3.6	3.6	3.6	2.3

The private haulage road section 18 km from Rogberi to Tawfayim is 95% complete and surveying of further 22km dedicated haul road from Rogberi to Lunsar has commenced. London Mining has signed a Memorandum of Understanding with the Sierra Leone Road Authorities (SLRA) that grants its permission to upgrade and use the road to create a dedicated haulage route for London Mining's exclusive commercial use. Major earthworks have been completed at both the port site at Tawfayim and at the plant site at Marampa. The principal long lead items namely the heavy oil generators and WHIMS plant have been ordered from Hyundai and Outotec respectively and are now expected to be on site from the end of December. Structural steel and fabrication of key equipment such as filters, belt conveyors and the barge loader is on schedule. The major outstanding items for the project are the appointment of the mining contractor and completion of the concrete works to allow installation of the plant and power generation facilities. All work is expected to be completed to allow first production in Q2 2011.

An operating cost of USD34.7/t of concentrate is expected initially for Phase 1 (which includes commissioning and ramp-up costs) but is expected to fall to USD29 /t at the 1.8Mtpa run rate with the potential to fall further at a steady state run rate of 3.6Mtpa.

Status of permitting and EIAs

All Environmental Impact Assessments (EIAs) for London Mining's complete mining and logistics solution have been completed by qualified environmental consultants recognized by the Sierra Leone Environmental Protection Agency (SLEPA). These EIAs cover mining and processing (including the tailings facility), haul roads, dredging and barging operations. The EIAs have been compiled in accordance with the national policies, legislations and institutional framework and make reference to other appropriate IFC/World Bank policies and guidelines.

London Mining is in the advanced process of converting all its EIAs into environmental permits and expects to complete this during Q4 2010.

Phase 2 (Primary Ore)

London Mining now expects to complete the Marampa PFS that assumes increased optimized production of up to 16 Mtpa, previously 9 Mtpa, for the primary ore expansion in Q1 2011. Based on recent indications of additional resources, London Mining is now planning, subject to prefeasibility results, a staged expansion to up to 16 Mtpa starting in 2014. The PFS will consider a staged commissioning of the grinding and beneficiation circuits to optimise the capital spending schedule. Five lines of crushing/grinding plus WHIMS each with capacity of 3.2 Mtpa are required to reach 16 Mtpa. The scheduling of the Phase 2 capacity will be determined in the PFS.

Colombia (100% ownership)

London Mining is currently constructing coke ovens with a capacity of 200 ktpa in the Boyaca region of Colombia, a region with significant local production of high quality coking coal. Construction of the coke ovens started in October, following three months of preparatory earthworks, and is expected to be completed in Q2 2011, with first coke production also expected in Q2. Full capacity of 200 ktpa is expected to be reached in Q3 2011, following which the Company expects to commence a second phase of construction, increasing capacity to 400 ktpa of coke. The capex for the first phase is now estimated at USD27 million.

The Company is also undertaking a drilling programme on concessions that it owns and is in the process of investigating the potential of further concessions both in proximity to the coke ovens and also in other areas with high coking coal potential. At the end of October, 2,369m of diamond drilling and 1,836m of RC drilling had been completed.

Isua, Greenland (100% ownership)

5,200m of drilling was completed over the summer season. This work is expected to result in further conversion of results from the JORC Inferred to Indicated categories to be reported at year end.

Following completion of a PFS for the project in June, London Mining is now seeking partners to fund and develop the project. London Mining intends to bring in a potential partner to fund the full feasibility study in exchange for equity at the project level. 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 allow completion of a full feasibility study by the end of 2011 with construction able to start in 2012, subject to financing and first production at the beginning of 2015. This timeline will be confirmed once financing has been secured and a construction partner selected.

Wadi Sawawin, Saudi Arabia (25% ownership)

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 in July 2010 that under a new agreement signed on 20th July 2010, in return for no further material funding requirements and no further dilution in subsequent equity fund raisings, London Mining will now receive a direct interest of 25% of the Wadi Sawawin project through NMC. The transaction is now expected to close in Q1 2011 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 proposed 5Mtpa 20 year operation and on the process to secure the funding of the Wadi Sawawin project.

CGMR, China (50% ownership through a joint venture)

Mining operations have not resumed since May 2010 due to matters raised by the regulatory authorities for mining in Anhui Province, which included amongst operational issues, the continued delay in consolidating the mines situated on the CGMR license. As reported previously, 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.

London Mining's JV partner, Wits Basin Precious Minerals Inc, has been unsuccessful to date in raising the finance to consolidate the larger mining license, which was anticipated to cost up to USD36 million and as such, consolidation has not yet occurred. Furthermore, as a result of failures in delivering the agreed business plan, the operator agreement was terminated during the period. In addition, the arbitration claim from the original vendor regarding the timing for payment of deferred consideration of USD17 million remains unresolved, with an initial hearing date anticipated in December 2010. London Mining is in direct negotiations with the vendor regarding the arbitration.

As a result of the financing delay, operational issues and the ongoing arbitration claim, London Mining has now initiated direct discussions with potential finance providers, is exploring opportunities for installation of a new management team and is in direct discussions with the original vendor on resolving these issues.

London Mining's business plan continues to be to raise funds for CGMR to consolidate the licensed region and expand the mining operations. In the event that CGMR is unable to raise the necessary funds, London Mining will likely dispose of the CGMR investment. London Mining has no intention to commit material new funds to the CGMR joint venture.

Chile (50% ownership through a joint venture)

As announced on 30th July 2010 London Mining has 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 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.

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.

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

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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 five assets in Sierra Leone, Colombia, Greenland, Saudi Arabia 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).

Glossary of Technical Terms

"Al ₂ O ₃ "	Alumina
"EPCM"	Engineering, Procurement and Construction Management
"Fe"	Iron
"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.
“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
WHIMS	Wet High Intensity Magnetic Separation – the process that will be used for ore processing at Marampa

Financial review

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 nine months ended 30 September 2010 is a loss of USD 19.0 million (equivalent 2009: loss of USD 16.4 million).

EBITDA loss for the nine months to 2010 is higher than the prior period, due to increased activity at the Sierra Leone project as it ramps up to production, a lower EBITDA contribution from China operations (China JV) of USD 2.3 million (representing four months production until production ceased in May 2010) versus USD 4.1 million in 2009 (representing six months production following acquisition in April 2009), and the consolidation of ICC following acquisition in May 2010.

Included in loss from operations is:

- USD 2.2 million (2009: USD 2.2 million) operating gross profit in respect of 50% of the profits of China operations held by the joint venture (there was no gross operating profit for May 2010 through to September 2010 due to the cessation of production);
- USD 1.2 million (2009: USD 1.5 million) other operating income in relation to net management fee receivable by the Group from the China JV after eliminating the Group’s 50% share of the fee payable on consolidation. No further management fees have been accrued from 1 July 2010 (see note 15) following the cessation of production in May 2010.
- USD 24.3 million (2009: USD 21.6 million) of administration costs, including
 - i) Staff related costs of USD 10.6 million (2009: USD 11.3 million) comprising:
 - USD 2.9 million (2009: USD 2.4 million) staff costs for Directors and key management.
 - USD 3.9 million of other staff costs (2009: USD 2.9 million). This increase is the result of increased staff numbers and first time consolidation of ICC, which was acquired during the period.
 - USD 1.6 million (2009: USD 3.1 million) non-cash charge arising from the return bonus plan^[1];
 - A non-cash charge of USD 2.2 million (2009: USD 2.9 million) of share based payments to staff, Directors and key management.
 - ii) Other costs:
 - USD 3.8 million (2009: USD 3.6 million) of professional and legal fees. Legal fees are marginally higher in 2010 due to the legal arbitration claim in respect of the Chinese joint venture. The prior period included high due diligence costs, including those related to the subsequent investments in China and Colombia.
 - USD 2.2 million (2009: USD 1.5 million) of travel costs. The increase is the result of higher activity from technical and corporate teams as projects reach significant development milestones.
 - USD 2.8 million of administrative costs incurred by the Chinese Joint Venture (2009 USD 1.4 million). Included in the current period cost of USD 2.8 million are operating costs of USD 0.9 million which have been reclassified as administration costs rather than cost of sales due to the production shut down since May 2010.

^[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.

- USD 2.1 million of administrative costs in relation to Sierra Leone (2009 USD 0.8 million). Administrative costs in the period included Corporate Social Responsibility costs of USD 0.5 million and have ramped up as operations near production.

Impairments

At 30 June 2010 the Group made an impairment to receivables recoverable from the Chinese joint venture of USD 14.2 million due to the ongoing cessation of production and the arbitration claim against the joint venture – see note 15.

During the three months ended 30 September 2010, the Group has recognised its share (USD 0.4 million) of the write off of exploration expenditure within the Chilean joint venture (Atacama). This has been classified as an impairment in accordance with IFRS 6 Exploration for and evaluation of Mineral Resources. Atacama continues to search for resource that is quick to bring into production, for low initial capital investment and with an expandable resource.

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 loss on deferred consideration

A cumulative USD 6.9 million loss for the period to date has been recognised in respect of deferred London Mining plc share consideration payable on the acquisition of ICC. The loss arose due to the revaluation of deferred share consideration to market value reflecting the movement in share price from acquisition to 30 September 2010. See note 20(b) to the financial statements.

Review of the fiscal incentives: Marampa, Sierra Leone

In February 2010, London Mining received unanimous ratification of its Mining Lease Agreement (MLA) by the Sierra Leone Parliament. The MLA included a package of tax incentives negotiated with the Government of Sierra Leone to encourage its investment in the redevelopment of the Marampa iron ore mine. The package of tax incentives provided included reductions in tax rates applicable to certain import and excise duties, operating costs and corporation taxes for a 10 year period and was subject to a five year review in February 2015.

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

LMC's MLA is currently being reviewed by the committee. Preliminary discussions indicate there should be no material change to the project value as a result of any modifications to the MLA and associated fiscal incentive package. London Mining has also engaged in early discussions with the Committee to accelerate the review that was to take place after five years, and to agree now what the fiscal regime will be for the five years from 2015. This will provide certainty on the financial modelling, in particular for the expansion of Phase 1 and the Phase 2 development. The Directors believe that the resulting package for the second five years should not differ materially from fiscal incentives either awarded recently to other mining companies or from those that have previously been negotiated with companies through this review process.

2. Balance sheet

Equity attributable to equity holders of the parent has fallen from USD 327.2 million at 31 December 2009 to USD 295.5 million at 30 September 2010. The net movement of USD 31.7 million is mainly the result of the loss for the period of USD 42.9 million, (which includes an impairment of receivables from the Chinese joint venture of USD 14.2 million and a fair value loss on deferred consideration of USD 6.9 million) offset by the issuance of new share capital, (USD 13.7 million) mainly in relation to the acquisition of ICC (see Movements in equity below for further details).

Intangible assets

Intangible assets increased from USD 49.3 million at December 2009 to USD 126.7 million at 30 September 2010. This is primarily the result of the ICC acquisition which has added goodwill of USD 39.3 million and further assets of USD 8.5 million. In addition there has been continued development at key projects in Sierra Leone (USD 8.7 million, including drilling costs), Greenland drilling and feasibility study cost (USD 9.4 million) and Saudi Arabia in relation to the bankable feasibility study (USD 6.2 million). Also included in intangible assets is goodwill recognised on acquisition of the joint venture in Chile, (USD 5.0 million) – see note 21.

Property plant and equipment

Property, plant and equipment increased from USD 48.3 million at December 2009 to USD 70.3 million at 30 September 2010. This is the result of ongoing construction at Sierra Leone and in particular for contracts and orders for the WHIMS plant, power generators and port facility.

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 Reserve 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 September 2010 is classified as held for sale and the investment in associate has been derecognised at 30 September 2010.

Deferred consideration payable

The USD 9.0 million deferred consideration represents the Group’s 50% share of the residual acquisition cost payable to the original vendors of the Chinese operations. The original vendors have filed a claim against CGMR regarding immediate payment of this deferred consideration (see note 22a of the financial statements) and as such it is classified as current. The vendors have no legal recourse to London Mining.

The USD 25.5 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 – see note 20(b).

Movements in equity

Share capital and merger reserve have 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. Since 31 December 2009 there have been 676,666 shares issued, 500,000 in relation to the exercise of warrants and 176,666 in relation to exercised options by London Mining employees, resulting in a net cash inflow of USD 1.7 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.
- USD 9.7 million increase arising from share purchases by the Trust during the period.

The warrant and option reserve has decreased by USD 3.6 million during the nine months to 30 September 2010 due to USD 5.8 million of share based payment charges on exercised options being transferred into retained earnings, which is partially offset by the USD 2.2 million share based payment charge for the period.

3. Cash flow

Total cash decreased in the period to 30 September 2010 by USD 91.2 million to USD 114.5 million. In summary the net decrease in cash during the period resulted from:

- USD 19.4 million outflow from operating activities (2009: USD 11.5 million);
- USD 68.8 million outflow from investing activities (2009: USD 63.1 million); and
- USD 3.0 million outflow from financing activities (2009: USD 12.2 million).

Operating cash outflow:

The USD 19.4 million operating cash outflow is largely due to the USD 42.9 million loss for the year adjusted for the following non-cash items:

- USD 14.2 million non-cash impairment of receivables in relation to the Chinese joint venture (note 15);
- USD 6.9 million fair value loss on deferred consideration;
- USD 2.2 million share based payment expense;
- USD 1.8 million depreciation;
- USD 1.0 million share of loss from associates; and
- USD 2.3 million working capital outflow, largely as a result of non cash receipt of net management fee from the China JV.

Investing cash flow:

Investing outflows for the period to 30 September 2010 included:

- USD 6.0 million loans provided to fund acquisitions and exploration in relation to the Chilean joint venture – see note 21.
- USD 5.1 million net cash outflow in respect of the acquisition of ICC;
- A total of USD 53.5 million spent on intangible assets and property, plant and equipment, reflecting the Group's ongoing development of its projects, including:
 - USD 26.6 million Marampa, Sierra Leone;
 - USD 10.0 million Wadi Sawawin, Saudi Arabia;
 - USD 9.8 million Isua, Greenland; and
 - USD 5.9 million ICC, Colombia.
- Accrued transaction costs of USD 5.5 million in relation to 2008 the Brazil disposal.

In the period to 30 September 2009, the investing cash outflow included USD 44.5 million in respect of the investment in the Chinese joint venture, CGMR.

Financing activities:

Cash used in financing activities of USD 3.0 million is a result of:

- USD 9.7 million outflow due to purchase of shares by the employee benefit trust; partially offset by
- USD 5.0 million inflow into the employee benefit trust from the sale of shares; and
- USD 1.7 million inflow from the exercise of warrants and options.

4. Liquidity and going concern

At 30 September 2010 the Group had cash of USD 114.5 million and no material drawn down borrowings.

On 15 October London Mining announced that it had concluded a USD 60.0 million two year revolving credit facility arranged by Standard Chartered Bank, (SCB). The facility is available for general corporate purposes. Drawdown of the facility is subject to the satisfaction of standard conditions precedent, including security being given over certain shares and assets of London Mining and certain of its subsidiaries. The facility, in combination with current cash resources, gives London Mining secured financing to deliver first phase tailings production at Sierra Leone and initial Colombia coke production.

London Mining is exploring raising additional debt to provide a total debt facility of up to USD 150 million for the Group, either by way of additional bank debt, or a high yield bond which would replace in full the existing facility currently in place with Standard Chartered Bank. London Mining is actively considering a high yield bond financing and has mandated Pareto Securities AS. The additional funding would enable the Group to execute its previous business plan; to increase and optimise its Phase 1a capacity to 1.8 Mtpa at Marampa through the addition of a rod mill and an expanded, dedicated haulage road; to accelerate the Phase 1b expansion at Marampa to reach a total capacity of 3.6 Mtpa (see Operations Review); and also to increase the level of exploration activity on potential coking coal opportunities in Colombia.

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 CGMR JV the Hong Kong joint venture level, is still needed to finance the required consolidation and growth of the Chinese operations. London Mining has now initiated direct discussions with alternative finance providers, as its joint venture partner, Wits Basin Precious Minerals Inc, has to date failed to raise the required funds (see note 15). It is noted that a prolonged arbitration claim with the original vendor may delay or prevent the fund raising process. London Mining has no intention of, or contractual obligations to, committing further material funds to the CGMR JV.

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.

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.

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.

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**Standard Chartered revolving credit facility**

On 15 October 2010 London Mining concluded and entered into a USD 60.0 million two year revolving credit facility with Standard Chartered Bank. The facility is available for the general corporate purposes of the London Mining group. Drawdown of the Facility is subject to the satisfaction of standard conditions precedent including security being taken over certain shares and assets of London Mining and certain of its subsidiaries.

		Three months ended 30 September 2010 \$'000	Three months ended 30 September 2009 \$'000	Nine months ended 30 September 2010 \$'000	Nine months ended 30 September 2009 \$'000
	Note				
Continuing operations					
Revenue		-	2,949	4,971	5,933
Cost of sales		-	(1,734)	(2,754)	(3,716)
Gross profit		-	1,215	2,217	2,217
Other operating income		-	693	1,229	1,484
Administrative expenses	6	(9,215)	(9,138)	(24,260)	(21,610)
Loss from operations		(9,215)	(7,230)	(20,814)	(17,909)
Impairments	7	(406)	-	(14,630)	(6,000)
Loss on disposal of a subsidiary		-	-	(236)	-
Fair value loss on deferred consideration	20b	(7,935)	-	(6,930)	-
Share of results of associates (net of tax)		-	19	(1,049)	(135)
Finance income	8	1,615	618	3,158	2,061
Finance costs	9	(1,106)	(280)	(2,296)	(1,470)
Loss before taxation		(17,047)	(6,873)	(42,797)	(23,453)
Taxation	5	126	-	(126)	(19)
Loss after taxation		(16,921)	(6,873)	(42,923)	(23,472)
Attributable to:					
- Equity holders of parent		(16,921)	(6,873)	(42,923)	(23,445)
- Non-controlling interest		-	-	-	(27)
		(16,921)	(6,873)	(42,923)	(23,472)
Basic & diluted earnings per share (USD per share)					
From continuing operations	10	(0.15)	(0.07)	(0.40)	(0.23)
Condensed consolidated statement of comprehensive income					
Loss for the period		(16,921)	(6,873)	(42,923)	(23,472)
Exchange difference on consolidation of non USD operations ¹		42	256	10	767
Total comprehensive income for the period		(16,879)	(6,617)	(42,913)	(22,705)

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 September 2010

		Unaudited As at 30 September 2010 \$'000	Audited As at 31 December 2009 \$'000
	Note		
Non-current assets			
Intangible assets	11	126,698	49,292
Property, plant and equipment		70,306	48,270
Investment in associates	12	-	14,910
Inventories		600	600
Loans and receivables	13	24,619	51,020
		222,223	164,092
Current assets			
Inventories		62	66
Receivables	13	1,083	3,705
Cash and cash equivalents		114,492	205,455
Assets classified as held for sale	12a	28,072	-
		143,709	209,226
Total assets		365,932	373,318
Current liabilities			
Trade and other payables		(22,847)	(21,906)
Deferred consideration	15	(8,955)	(8,659)
Current tax liabilities		-	(328)
		(31,802)	(30,893)
Net current assets		111,907	178,333
Non-current liabilities			
Other non-current liabilities		(3,222)	(4,889)
Provisions		(1,452)	(1,412)
Deferred consideration	20b	(25,485)	-
Deferred tax liabilities		(8,512)	(8,565)
		(38,671)	(14,866)
Total liabilities		(70,473)	(45,759)
Total net assets		295,459	327,559
Equity			
Share capital	14	411	398
Share premium account	14	21,803	20,094
Merger reserve	20d	12,000	-
Shares held in employee benefit trust		(8,411)	(14,167)
Other reserves		17,940	21,523
Retained earnings		251,716	299,312
Equity attributable to equity holders of the parent		295,459	327,160
Non-controlling interest		-	399
Total equity		295,459	327,559

London Mining plc
Condensed consolidated statement of changes in equity
For the nine months ended 30 September 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 nine months ended 30 September 2009										
Exchange difference on consolidation of non USD operations	-	-	-	(288)	-	-	767	479	-	479
Recognition of share-based payments	-	-	-	2,386	-	(539)	-	1,847	-	1,847
Acquisition of shares for employee benefit trust	-	-	-	(11,106)	-	-	-	(11,106)	-	(11,106)
Loss for the period	-	-	-	-	(23,445)	-	-	(23,445)	(27)	(23,472)
Balance at 30 September 2009 (unaudited)	398	19,954	-	(14,167)	309,413	14,522	5,249	335,369	412	335,781
Changes in equity for the three months ended 31 December 2009										
Exchange difference on consolidation of non USD operations	-	-	-	-	-	-	149	149	-	149
Recognition of share-based payments	-	-	-	-	809	1,603	-	2,412	-	2,412
Issue of share capital (net of expenses) on exercise of options	-	140	-	-	-	-	-	140	-	140
Acquisition of shares for employee benefit trust	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	(10,910)	-	-	(10,910)	(13)	(10,923)
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 nine months ended 30 September 2010										
Exchange difference on consolidation of non USD operations	-	-	-	-	-	-	10	10	-	10
Issue of share capital ²	13	1,709	12,000	-	-	-	-	13,722	-	13,722
Recognition of share-based payments	-	-	-	-	(4,673)	(3,593)	-	(8,266)	-	(8,266)
Exercise of LTIP awards ³	-	-	-	5,756	-	-	-	5,756	-	5,756
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(399)	(399)
Loss for the period	-	-	-	-	(42,923)	-	-	(42,923)	-	(42,923)
Balance at 30 September 2010 (unaudited)	411	21,803	12,000	(8,411)	251,716	12,532	5,408	295,459	-	295,459

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 13,722,000 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 nine months ended 30 September 2010

		Nine months ended	
		30 September	
		2010	2009
	Note	Unaudited	Unaudited
		\$'000	\$'000
Cash flows from operating activities			
Cash used by operations	16	(19,114)	(11,934)
Interest received		198	765
Interest paid		(40)	(16)
Income taxes paid		(411)	(261)
Net cash outflow from operating activities		(19,367)	(11,446)
Cash flows from investing activities			
Loans to and investments in joint ventures	15, 21	(5,969)	(38,727)
Loans to and investments in associates		(1,500)	-
Other loans and investments net of repayments	15	2,000	(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		(34,347)	(13,959)
Purchase of property, plant and equipment		(19,159)	(2,265)
Transaction costs, net of proceeds from sale of discontinued operations		(4,746)	(541)
Net cash outflow from investing activities		(68,782)	(63,102)
Cash flows from financing activities			
Acquisition of shares by the Employee Benefit Trust		(9,749)	(11,106)
Net proceeds from sale of shares by the Employee Benefit Trust		5,031	-
Net cash inflow on share capital issued on exercise of options and warrants		1,711	-
Cash outflow on share based payments		-	(1,060)
Net cash outflow from financing activities		(3,007)	(12,166)
Net decrease in cash and cash equivalents		(91,156)	(86,714)
Cash and cash equivalents at beginning of period		205,455	316,286
Exchange differences		193	285
Cash and cash equivalents at the end of the period		114,492	229,857

In the prior period cash movement associated with a convertible loan has been reclassified from "operating" to "investing" to be consistent with the current period classification.

London Mining plc
Notes to the condensed consolidated financial statements
For the nine months ended 30 September 2010

1. General information

London Mining plc is a company incorporated in the United Kingdom under the Companies Act listed on the Oslo Axxess 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 September 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 nine months to 30 September 2010 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 a material impact on the Group.

3. Accounting policies

Basis of preparation

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

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 nine months ended 30 September 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 earnings / 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 nine months ended 30 September 2010 is as follows:

	Segmental revenue		Segmental result	
	Unaudited Nine months ended 30 September 2010 \$'000	Unaudited Nine months ended 30 September 2009 \$'000	Unaudited Nine months ended 30 September 2010 \$'000	Unaudited Nine months ended 30 September 2009 \$'000
Iron ore projects				
- Sierra Leone	-	-	(5,514)	(3,448)
- Saudi Arabia	-	-	(675)	(1,237)
- Greenland	-	-	(467)	(346)
- China	4,971	5,933	2,261	4,088
Coal project				
- Colombia	-	-	(1,192)	-
Unallocated costs including corporate			(13,435)	(15,427)
Group Revenue	4,971	5,933		
Group EBITDA			(19,022)	(16,370)
Depreciation and amortisation			(1,792)	(1,539)
Loss from operations			(20,814)	(17,909)
Impairments			(14,630)	(6,000)
Loss on disposal of subsidiary			(236)	-
Fair value loss on deferred consideration			(6,930)	-
Share of results of associates (net of tax)			(1,049)	(135)
Finance income			3,158	2,061
Finance costs			(2,296)	(1,470)
Loss before taxation			(42,797)	(23,453)

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the nine months ended 30 September 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 September 2010 is as follows:

	Segmental revenue		Segmental result	
	Unaudited Three months ended 30 September 2010 \$'000	Unaudited Three months ended 30 September 2009 \$'000	Unaudited Three months ended 30 September 2010 \$'000	Unaudited Three months ended 30 September 2009 \$'000
Iron ore projects				
- Sierra Leone	-	-	(2,358)	(1,254)
- Saudi Arabia	-	-	(330)	(709)
- Greenland	-	-	(198)	(139)
- China	-	2,949	(610)	1,897
Coal project				
- Colombia	-	-	(738)	-
Unallocated costs including corporate	-	-	(4,541)	(6,273)
Group Revenue	-	2,949		
Group EBITDA			(8,775)	(6,478)
Depreciation and amortisation charge			(440)	(752)
Loss from operations			(9,215)	(7,230)
Group share of impairment in a joint venture			(406)	-
Fair value loss on deferred consideration			(7,935)	-
Share of results of associates (net of tax)			-	19
Finance income			1,615	618
Finance costs			(1,106)	(280)
Loss before taxation			(17,047)	(6,873)

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 cyclicity.

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

4. Segment reporting (continued)

Segment assets and liabilities (unaudited)

	Segment assets		Segment liabilities	
	Unaudited 30 September 2010 \$'000	Audited 31 December 2009 \$'000	Unaudited 30 September 2010 \$'000	Audited 31 December 2009 \$'000
Iron ore projects - Sierra Leone	48,177	15,724	(6,609)	(991)
- Saudi Arabia	22,613	16,039	(422)	(2,196)
- Greenland	30,067	21,041	(1,265)	(1,483)
- China	63,638	67,643	(27,140)	(23,890)
Coal project - Colombia	48,996	-	(25,602)	-
Total	213,491	120,447	(61,038)	(28,560)
Group investment in associates	-	14,910	-	-
Assets held for sale	28,072	-	-	-
Unallocated including corporate	124,369	237,961	(9,435)	(17,199)
Total	365,932	373,318	(70,473)	(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 September 2010 is a total of USD 11.0 million (31 December 2009 USD 5.0 million) in respect of the Group's investment in Chile.

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 nine months ended 30 September 2010

6. Administrative expenses (unaudited)

The key components of administrative expenses are as follows:

	Three months ended 30 September 2010 \$'000	Three months ended 30 September 2009 \$'000	Nine months ended 30 September 2010 \$'000	Nine months ended 30 September 2009 \$'000
Return Bonus Plan ¹	385	992	1,570	3,082
Staff costs				
Share-based payments to staff, directors and other key management ²	554	1,661	2,208	2,907
Directors and key management remuneration excluding share-based payments	1,092	503	2,927	2,401
Other staff costs	1,551	1,043	3,913	2,870
Professional and legal fees	1,969	1,052	3,791	3,607
Depreciation and amortisation ³	207	127	653	361
Fees payable to the Group's auditors for the audit of the Group's annual and interim accounts	98	21	433	108
Fees payable to the Group's auditors for other services to the Group	53	67	152	313
Fees payable to other audit firms	-	-	54	31
Operating lease costs – property	246	176	608	500
AIM listing fees (excluding amounts paid to auditors)	-	-	107	-
China administrative expenses:				
Salaries and overheads	610	636	1,963	791
Depreciation ³	233	-	361	-

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 1.6 million charge to the income statement in the nine months ended 30 September 2010 represents the non-cash charge. Cash payments in the nine months were USD 2.7 million (2009: USD 2.0 million) and a further USD 4.2 million is due (subject to the return bonus plan rules), payable over the next three years, of which USD 1.6 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 The Group's total depreciation charge also includes USD nil and USD 778,000 relating to depreciation included within cost of sales from the Group's share of the proportionally consolidated the CGMR JV for the three and nine months ended 30 September 2010 (2009: USD 625,000 and USD 1,178,000 for the three and nine months to 30 September 2009).

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

For the nine months ended 30 September 2010

7. Impairments (unaudited)

	Note	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
		\$'000	\$'000	\$'000	\$'000
Impairments					
Impairment of receivables from joint venture	15	-	-	14,224	-
Write down of joint venture exploration costs	21	406	-	406	-
Impairment of an investment in associate		-	-	-	6,000
		406	-	14,630	6,000

8. Finance income (unaudited)

	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
	\$'000	\$'000	\$'000	\$'000
Finance income				
Interest income from cash and cash equivalents	83	151	208	765
Interest income from loans receivable	41	20	253	83
Unwinding of discount on net loan receivable from joint venture	142	147	417	238
Exchange gains	1,349	300	2,280	975
	1,615	618	3,158	2,061

9. Finance costs (unaudited)

	Three months ended 30 September 2010	Three months ended 30 September 2009	Nine months ended 30 September 2010	Nine months ended 30 September 2009
	\$'000	\$'000	\$'000	\$'000
Finance costs				
Interest expense	23	1	36	16
Unwinding of discount on long term liabilities	150	106	526	173
Exchange losses	933	173	1,734	1,281
	1,106	280	2,296	1,470

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

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 September 2010 \$'000	Three months ended 30 September 2009 \$'000	Nine months ended 30 September 2010 \$'000	Nine months ended 30 September 2009 \$'000
Loss from continuing operations attributable to equity holders of the Company	(16,921)	(6,873)	(42,923)	(23,445)
Weighted average number of ordinary shares in	110,565,434	102,922,970	107,333,289	104,049,916
Loss per share USD	(0.15)	(0.07)	(0.40)	(0.23)

(b) Diluted

The outstanding options, warrants and LTIP awards at 30 September 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.

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		-	-	32,620	32,620
Acquisition of subsidiary	20a	-	39,314	2,498	41,812
Acquisition of joint venture		-	5,000	-	5,000
Disposal of subsidiary		-	-	(1,374)	(1,374)
Transfers to tangible fixed assets		-	-	(626)	(626)
Cost at 30 September 2010		106	44,314	82,304	126,724
Amortisation					
1 January 2010		-	-	-	-
Charge for the period		(26)	-	-	(26)
Amortisation at 30 September 2010		(26)	-	-	(26)
Net book value 30 September 2010		80	44,314	82,304	126,698
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), and the Chile joint venture.

12. Investment in associates (unaudited)

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 September 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 Reserve Bank in respect of enforcement of the downside protection agreement. No reversal of the previous USD 6.0 million impairment made in 2009, nor upwards revaluation of the carrying value has been made to reflect the full value of the protection agreement as London Mining is currently in the process of enforcing the downside protection agreement against the CEO and CFO.

The USD 28,072,000 investment in DMC Group has been reclassified to investments held for sale at 30 September 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 nine months ended 30 September 2010

13. Loans and receivables (unaudited)

		Unaudited 30 September 2010	Audited 31 December 2009
	Note	\$'000	\$'000
Non-current			
Prepayments		605	590
Loan to joint venture partner	15	-	5,750
Loans to joint venture ⁽¹⁾	15, 21	21,367	17,850
Management fee receivable from joint venture	15	-	2,330
Convertible loans receivable ⁽²⁾		-	5,000
Convertible loans to associates ⁽³⁾		-	19,500
Other receivables ⁽⁴⁾		2,647	-
		24,619	51,020
Current			
Prepayments		762	595
Receivable from joint venture partner		-	690
Convertible loan receivable from joint venture partner ⁽⁵⁾		-	1,000
Receivable from joint venture		-	559
Other receivables		321	861
		1,083	3,705
		25,702	54,725

(1) The balance at 30 September 2010 includes USD 18.3 million to CGMR – see note 15, and USD 3.1 million, (on a consolidated net basis and including interest) to British Mining in relation to the Chilean joint venture – see note 21.

(2) The convertible loan has been converted into 50% of the share capital of Atacama Mining Resources Corporation, (“Atacama”) – see note 21,

(3) 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 September 2010.

(4) Other receivables of USD 2,647,000 relate to loans made to Atacama and its subsidiary to fund acquisition and exploration of iron ore opportunities in Chile – see note 21. The loans are repayable on the earlier of first revenues or third party funding into the joint venture.

(5) 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 was impaired at 30 June 2010, see note 15 for details of the impairment.

14. Share capital (unaudited)

Share capital at 30 September 2010 amounted to USD 411,000. During the three months to 30 September 2010, the Group issued 500,000 ordinary shares following the exercise of warrants for GBP 1.74 each by a consultant, and 6,666 ordinary shares following the exercise of options for GBP 1.31 each by a former employee. The share capital increased to 113,760,461 shares at 30 September 2010 as a result of these transactions, and the share capital and share premium increased by USD 2,000 and USD 1,368,000 respectively.

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

On 23 April 2009, the Company completed a joint venture agreement with Wits Basin Precious Minerals, Inc. (Wits Basin) in relation to a 50:50 joint venture (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

For the period ended 30 June 2010 the Group made an impairment to receivables recoverable from the CGMR JV and the JV partner, Wits Basin, of USD 14.2 million due to the ongoing cessation of production and the arbitration claim against CGMR, (see note 22). The impairment booked 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 had a carrying value in the CGMR JV of USD 36.5 million.

At 30 September 2010, commercial production had not recommenced, and the arbitration claim was still outstanding. Furthermore, as a result of failures in delivering the agreed business plan, the operator agreement was terminated during the period. As a result of these financing delays, operational issues and the ongoing arbitration claim, London Mining has now initiated direct discussions with potential financing providers, is exploring opportunities for the installation of a new management team and is in direct discussions with the original vendor on resolving these issues. The Directors will continue to monitor the carrying value of its investment in light of progress for these developments.

At period end, the Directors updated their review of the recoverability of the Group's investment in the CGMR and determined that no further impairment was required. This is based on a methodology of fair value less costs to sell. The Group continues to calculate the recoverable amount using the net present value of 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 the Group's preferential right of return of up to USD 42.5 million from any sales proceeds made under the joint venture Shareholder Agreement.

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).

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

The Group's consolidated balance sheet at 30 September 2010 following the impairment includes a residual carrying value of USD 36.5 million, comprising:

- USD 18.3 million net non-current 'loan to joint venture' representing the joint venture partner's 50% share of the USD 36.6 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 September 2010 (included in non-current loans and receivables note 13);
- USD 9.0 million non-current liability, being the Group's 50% share of the deferred consideration payable to the Chinese vendor; and
- USD 27.2 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 up to 30 June 2010 were impaired in full at 30 June 2010 (see note 13). From 1 July 2010 the Group ceased accruing management fees

The unaudited results for the three months ended 30 September 2010 include:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	-	-	-
Cost of sales ⁽¹⁾	-	-	-
Administrative expenses	(610)	-	(610)
Loss from operations, before London Mining management fee	(610)	-	(610)
London Mining management fee	(555)	555	-
EBITDA	(1,165)	555	(610)
Depreciation	(233)	-	(233)
(Loss) / profit from operations	(1,398)	555	(843)
Net finance income	(402)	283	(119)
(Loss) / profit before taxation	(1,800)	838	(962)
Taxation	126	-	126
(Loss) / profit	(1,674)	838	(836)

⁽¹⁾ Excluding depreciation

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

The unaudited results for the nine months ended 30 September 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	(1,963)	-	(1,963)
Profit from operations, before London Mining management fee	1,032	-	1,032
London Mining management fee	(1,766)	2,995	1,229
EBITDA	(734)	2,995	2,261
Depreciation	(1,083)	(56)	(1,139)
(Loss) / profit from operations	(1,817)	2,939	1,122
Net finance income	(864)	833	(31)
Impairment of receivables from joint venture	-	(14,224)	(14,224)
Loss before taxation	(2,681)	(10,452)	(13,133)
Taxation	(140)	14	(126)
Loss	(2,821)	(10,438)	(13,259)

⁽¹⁾ Excluding depreciation

The unaudited results for the three months ended 30 September 2009 include:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	2,949	-	2,949
Cost of sales ⁽¹⁾	(1,109)	-	(1,109)
Administrative expenses	(636)	-	(636)
Profit from operations, before London Mining management fee	1,204	-	1,204
London Mining management fee	(693)	1,386	693
EBITDA	511	1,386	1,897
Depreciation	(567)	(58)	(625)
(Loss) / profit from operations	(56)	1,328	1,272
Net finance income	(235)	274	39
(Loss) / profit before taxation	(291)	1,602	1,311
Taxation	(14)	14	-
(Loss) / profit	(305)	1,616	1,311

(1) Excluding depreciation

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

For the nine months ended 30 September 2010

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

The unaudited results for the nine months ended 30 September 2009 include:

Income statement	Share of joint venture \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Revenue	5,933	-	5,933
Cost of sales ⁽¹⁾	(2,538)	-	(2,538)
Administrative expenses	(791)	-	(791)
Profit from operations, before London Mining management fee	2,604	-	2,604
London Mining management fee	(1,484)	2,968	1,484
EBITDA	1,120	2,968	4,088
Depreciation	(1,072)	(106)	(1,178)
Profit / (loss) from operations	48	2,862	2,910
Net finance income	(411)	475	64
(Loss) / profit before taxation	(363)	3,337	2,974
Taxation	(45)	26	(19)
(Loss) / profit	(408)	3,363	2,955

London Mining plc
Notes to the condensed consolidated financial statements (continued)
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16. Notes to the cash flow statement (unaudited)

	Note	Unaudited Nine months ended 30 September 2010 \$'000	Unaudited Nine months ended 30 September 2009 \$'000
Operating activities			
Reconciliation of the loss for the period to cash outflows from operating activities			
Loss after taxation		(42,923)	(23,472)
Adjusted for:			
Share of results from associates		1,049	135
Fair value loss on deferred consideration	20b	6,930	-
Impairments	7	14,630	6,000
Loss on disposal of a subsidiary		236	-
Depreciation and amortisation		1,792	1,539
Finance income		(3,158)	(2,061)
Finance costs		2,296	1,470
Share-based payments expense		2,208	2,907
Tax expense		126	19
		(16,814)	(13,463)
Increase in non-current receivables		(1,857)	-
Decrease / (increase) in current receivables		1,492	(2,125)
Decrease / (increase) in inventories		5	(231)
(Decrease) / increase in payables		(1,940)	3,885
Cash outflow from operating activities		(19,114)	(11,934)

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.

17. Related party transactions (unaudited)

At 30 September 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 nine months to 30 September 2010, a management fee of USD 3.0 million (2009: USD 3.0 million) of which the Group's share is USD 1.2 million (2009: USD 1.5 million) was accrued from CGMR to London Mining. At 30 September 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 18.3 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 nine months to September 2010 the group has impaired USD 8,812,000 of debtors receivable from CGMR as noted in note 15.

London Mining plc

Notes to the condensed consolidated financial statements (continued)

For the nine months ended 30 September 2010

17. Related party transactions (unaudited) (continued)

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 Officer

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 September 2010 based on the Directors' current expectation that the likelihood of the vendor being entitled to a material balance is remote.

19. Capital commitments (unaudited)

	Unaudited 30 September 2010 \$'000	Audited 31 December 2009 \$'000
Commitments for the acquisition of intangible assets	1,347	1,561
Commitments for the acquisition of tangible assets	18,724	53
Total	20,071	1,614

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Notes to the condensed consolidated financial statements (continued)
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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 is 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 \$'000	Provisional fair value adjustments \$'000	Fair value of assets at acquisition \$'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

20. Acquisition of ICC (continued)

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.

- (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 and three coking coal concessions in the Socha region of Colombia with an aggregate area of 606 hectares.
- (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 loss 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 30 September 2010 there has been no change to probabilities. Deferred equity consideration has increased as a result of the increase in London Mining plc's share price at acquisition of GBP 2.26 to GBP 3.30 at 30 September 2010. This resulted in a cumulative USD 6,930,000 fair value loss which has been recorded in the income statement. This fair value loss, together with the USD 311,000 increase in the deferred consideration as a result of the unwinding of the discount has resulted in the deferred consideration increasing from USD 18,244,000 at acquisition to USD 25,485,000 at 30 September 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 September 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 nine months ended 30 September 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 1,458,000 to the Group's loss for the nine months to 30 September 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 43,860,000.

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 nine months ended 30 September 2010

21. Investment in Chile Joint Venture (unaudited)

On 30th July 2010 London Mining entered into a joint venture agreement with a Chinese and Chilean based partner in order to take advantage of several iron ore opportunities in the Atacama region of Chile. The joint venture company, Atacama Mining Resources Corporation (“Atacama”) through its Chilean subsidiary, British Mining Resources Corporation Ltda, (“British Mining”) holds options over concessions to iron ore deposits in the Atacama region of Chile. Under the agreement London Mining subscribed for 50% of the share capital of Atacama.

In consideration for the 50% share capital of Atacama, London Mining converted a previously outstanding convertible loan of USD 5.0 million. The full USD 5.0 million has been recognised as goodwill within intangible assets on acquisition.

London Mining has also made available an additional loan totalling USD 7.0 million to British Mining to fund acquisitions of a number of concessions in the area and to get exclusive rights from joint venture partners on future iron ore prospects in Chile. This loan will be repaid to London Mining from the earlier of first sales of ore made by the joint venture or third party funding of the joint venture. At 30 September 2010 a total of USD 6.0 million of loans had been drawn down by British Mining.

Exploration costs expensed

London Mining’s share of joint venture capitalised exploration costs (USD0.4 million) were written down during the period. The write down is classified as an ‘impairment’ in accordance with IFRS 6.

22. Events after the balance sheet date

(a) Standard Chartered revolving credit facility

On 15 October 2010 London Mining concluded and entered into a USD 60.0 million two year revolving credit facility with Standard Chartered Bank. The facility is available for the general corporate purposes of the London Mining group. Drawdown of the Facility is subject to the satisfaction of standard conditions precedent including security being taken over certain shares and assets of London Mining and certain of its subsidiaries.