

London Mining Plc
Quoted on London AIM (LOND LN) and Oslo Axess (LOND NO)
("London Mining" or the "Company")

PRELIMINARY RESULTS FOR THE FOURTH QUARTER AND FULL YEAR ENDED 31 DECEMBER 2010

Marampa, Sierra Leone

- Fully funded for Phase1 3.6 Mtpa operation, with first production expected in Q3 2011
- Offtake for first 1.8 Mtpa signed with Glencore
- All environmental permits received in January 2011
- Resource of over 900Mt, grading 32%, increased by 70% since November 2010
- Includes over 130Mt of weathered ore that may be processed and would extend the life of Phase 1
- New testwork indicates sinter feed can be produced from all primary ore
- PFS for expansion to 16Mtpa expected by end of Q1 2011
- Scoping studies planned to investigate self funding options and expansion to 20Mtpa

Isua, Greenland

- PFS results for 15Mtpa project indicates capital expenditure of USD 2.0 billion
- Capital intensity reduced by around 22% to USD 136/annual tonne of capacity
- Project estimated to produce post tax NPV estimated at between USD 2.5 to 4.5 billion

London Mining Colombia

- First production from coke ovens in Q3 2011, reaching capacity of 200kt in Q1 2012
- Supply agreement for 300ktpa of coking coal

Corporate

- Successful placing of USD 110 million of 8% convertible bond notes on 31 January 2011
- USD 60 million revolving credit facility secured with Standard Chartered (subject to certain conditions precedent)
- Impairments for the year of USD 61.7 million primarily relating to CGMR
- Cash as at 31 December 2010 of USD 76 million
- New appointments to the Board

London Mining CEO Graeme Hossie says "London Mining has in 2010 substantially progressed its aim to become a new and significant supplier of high quality raw materials to the global steel industry. We have continued to deliver on key milestones throughout 2010, progressing our plans to produce over 30Mtpa of iron ore a year by 2015. London Mining is increasingly well positioned to deliver strong shareholder value growth with a global iron ore resource base of over 2.2 billion tonnes, a strong balance sheet and a very experienced management team. Marampa will produce its first iron ore in Q3 of this year as it begins development to its 16Mtpa target and first coke will be also produced from our Colombian project in Q3 2011. At Isua, in Greenland, we have increased the scope of the project to 15Mtpa which is scheduled to commence production in early 2015 and are progressing funding of the project. The continued rapid progress towards substantial production from our projects validates our strategy of focusing on ore bodies which will produce high quality product at low operating cost, with simple and deliverable logistics and which can be developed rapidly into sizeable and scalable production."

London Mining plc**Notes to the condensed consolidated financial statements (continued)****For the year ended 31 December 2010**

The principal activities of the Group are the development and operation of mines for the global steel industry, conducted through its three iron ore properties in Sierra Leone, Greenland and Saudi Arabia as well as through its coke project in Colombia. Summary data for these projects are:

	Sierra Leone	Greenland	Saudi Arabia	Colombia
Project	Marampa	Isua	Wadi Sawawin	Socha
Ownership (%)	100	100	25	100
Product	P1: sinter feed P2: pellet feed	Pellet feed	DR pellets	Coke
First production (year)	2011	2015	2014	2011
Target production capacity (Mtpa)	16	15	5	0.4

Total resources as at end December 2010:

Asset	Ownership	Cutoff	Measured		Indicated		Inferred		Total	
	%	% Fe	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	379	32	527	32	906	32
Isua	100	20	0	0	114	37	837	36	951	36
Wadi Sawawin	25	30	0	0	248	40	134	39	382	40
Total (100% basis)			0	0	778	35	1,498	35	2,276	35

Marampa, Sierra Leone (100%)

The Marampa mine is a brownfields site formerly operated by the Sierra Leone Development Company (DELCO) and William Baird between 1933 and 1975. Marampa reached a peak production of 2.5Mtpa in the 1960s before low iron ore prices forced its closure. Continuing weak market economics and civil war prevented redevelopment of the mine until the mining licence was acquired by London Mining in 2006.

The current focus at Marampa continues to be the construction and optimisation of Phase 1 to incorporate the new resources reported on 17 January 2011. In the same announcement London Mining reported a move in plant production start date to the end of Q3 2011 as a consequence of a reconfiguration of the plant layout due to the new ore discovery. Export of first concentrate is now expected in Q4 2011. The budget for Phase 1a remains unchanged at USD 136 million. At the end of December 2010, USD 115 million had been committed of which USD 45 million had been spent.

Marampa progressed significantly over the course of 2010. Highlights for the project in the period were the maiden JORC resource in January, the ratification of the Mining Licence Agreement ("MLA") and commencement of construction in February, delineation of higher grade weathered material in August and the reporting of almost a billion tonnes of resources at year end. Work also commenced on a prefeasibility study for an expanded 16Mtpa operation incorporating all resources which is expected to be completed in Q1 2011. In January 2011, London Mining was awarded the final environmental permit for the Marampa operation.

Resources

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

For the year ended 31 December 2010

As announced on 17 January 2011, Snowden Mining Industry Consultants now estimate a total primary resource, excluding tailings, of 906Mt grading 32% Fe comprising 379Mt at 32% Fe in the Indicated category and 527Mt at 32% Fe in the Inferred category. These resources represent an increase of 70% to the total primary resource of 533Mt at 31% Fe reported in November 2010 and a tenfold increase of the historical primary resource of 84Mt grading 37% Fe reported at the time of London Mining's admission to AIM in November 2009. The new resource also reflects 24Mt of highly weathered ore at 38% and 107Mt of moderately weathered ore at 35% Fe. The focus of the 56,825 metre diamond drilling programme completed in 2010 was to define the parameters of the primary resource to at least the Inferred category in order to determine the optimum production capacity for Phase 2. The additional 20,000 metres of drilling, to be completed in the first half of 2011, is aimed at converting resources from Inferred to Measured and Indicated categories for detailed mine planning purposes. It is expected however, that there will be further additions to the total resource. The tabular nature of the Marampa ore body, homogenous geochemistry of the ore and highly competent geotechnical behaviour of the Marampa pit walls mean that the life of mine strip ratio is expected to allow almost all the currently defined resources to fall within the confines of an open pit and therefore in the final reserve.

Phase 1 progress

Mine

Detailed mine and tailings plans have now been completed with a strip ratio of 0.9 estimated for weathered ore and 0.02 for tailings with ROM ore comprising 70% tailings and 30% weathered ore. The mineable resource, including the weathered ore, is currently estimated to be 59Mt with a head grade of 26.5% Fe. This mine plan currently only considers weathered material from the Campbelltown and Hospital Ridges, with further material from Masaboin Hill and the north east extension expected to be captured in a revised mine plan. Preliminary mining of tailings and weathered ore will commence in Q2 2011, using equipment already located on site, to establish a run of mine stock pile ahead of plant commissioning.

Plant

Construction of the Phase 1a plant continues although reconfiguration of the plant layout to allow full realisation of the new ore discovery now means first production will commence at the end of Q3 2011 and first commercial export and sales of concentrate will be in Q4 2011. Construction is ongoing with work on all essential concrete footings and erection of structural steel expected to be completed during Q1 2011. All necessary earthworks are expected to be completed ahead of the start of the wet season in May.

Test work indicates that 100% of highly weathered material and 75% of material considered moderately weathered can be processed in the Phase 1 processing circuit with the installation of a small rod mill; the capital expenditure for which has been included in the Phase 1a cost of USD 136 million. It is envisaged that the remaining moderately weathered material will be stockpiled for processing in Phase 2 although this fraction may be increased if it improves the overall economics of the project. A revised optimised production plan for Phase 1 will be released as part of the Phase 2 prefeasibility study ("PFS") in Q1 2011, but is not expected to change the production start date.

Commissioning of the plant is expected to be completed in Q3 2011 with first concentrate from the plant also expected by the end of Q3 2011, with shipment of first concentrate following within one month of first commissioned production. Ramp up to the full capacity of 1.8Mtpa is expected to take 6 months. Construction of the second 1.8Mtpa module to complete the ramp up to 3.6Mtpa is scheduled to start in Q4 2011 with commissioning expected nine months later. Earthworks for Phase 1b are to be completed as part of the Phase 1a construction programme. In addition, excess WHIMS plant and power generating capacity has been installed as part of the Phase 1a programme and London Mining is investigating further strategies to accelerate Phase 1b.

Logistics

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

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Work on the 25km second section haul road from Rogberi to Lunsar has commenced in and is expected to be completed ahead of the wet season in Q2 2011. Construction of the 19km first section between Rogberi and Tawfayim is complete. Bollore Africa has been contracted to provide road haulage and maintenance with mobilisation expected to take six months.

Construction of the port is scheduled to take place between Q1 and Q3 2011. Ausenco Sandwell has completed the final designs and is to act as construction management for the project. The main long lead items for this aspect of operations, namely the jetty and barge loading equipment, have been ordered from Quayquip and Telestack respectively and are under construction. The final design uses a floating jetty which can accommodate river level fluctuations.

Jan de Nul, the dredging contractor, has started dredging a navigable channel in the Port Loko River. An estimated 650,000m³ of material is to be removed and is expected to take approximately 100 days. London Mining is in the final stages of agreeing contracts for barging and transshipment with mobilisation expected in time for first exports in Q4 2011. The company is evaluating the use of tidal assistance to optimise barge loads and reduce dredging requirements. The planned loading rates of around 20,000t per day will be unaffected.

Phase 2 prefeasibility study

The Phase 2 PFS is being reconfigured to reflect the increase in resources, and the targeted production of up to 16Mtpa with the inclusion of some moderately weathered ore is expected to have a significant favourable impact on initial operating cost and metallurgical recovery. The PFS will provide capital expenditure and operating expenditure estimates and will enable a detailed evaluation of the full potential and deliverability of the Marampa project, including mining, processing, waste disposal and logistics plans, as well as time to production. The PFS is due for completion during Q1 2011. Further to the completion of this study London Mining is also to complete a scoping study to determine an early expansion, low capital expenditure stage incorporating moderately weathered ore.

New metallurgical testwork indicates that a fine concentrate suitable for use as either sinter or pellet feed can be produced from all Marampa ores, irrespective of weathering. This is likely to have significant implications to both capital expenditure and operating expenditure as it reduces the amount of grinding and downstream processing required to produce a saleable concentrate.

MLA

A review of the MLA comprising fiscal incentives for Phase 1 by the Sierra Leone Government ("GoSL") is near to conclusion. Current discussions with the Government review committee ("the Committee") 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 and hence the investment programme remains unchanged.

London Mining has also engaged in 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 to incorporate the full effect of the weathered ore and the Phase 2 development. It is expected 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 already having been through this review process. The Company supports efforts to increase transparency in the mining industry in Sierra Leone, and GoSL remains very supportive of London Mining's production and investment plans.

Offtake and marketing

An offtake agreement for Marampa was signed with the trading house Glencore International AG ("Glencore") on 26 January 2011. The offtake covered 9.5 million wet metric tonnes (WMT) production from Phase 1a of the Company's Marampa project. The five year agreement, which included a pre-payment facility for up to

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For the year ended 31 December 2010

USD 27 million, will provide guaranteed offtake and shipping from Sierra Leone for all Phase 1a production, with the option for London Mining to expand the agreement to Phase 1b on the same terms. The offtake will be based on Platts 62% CFR China benchmark, with an upward adjustment for the Fe content of the Company's 65% Fe sinter feed concentrate, and an incentive to place product at locations such as Europe where there is a net pricing benefit through lower shipping costs. The Agreement accommodates London Mining's ramp up expectations and is flexible to accommodate varying shipping sizes and frequencies to supply European, Chinese and other markets.

Environmental permitting and management

London Mining received its full environmental permit for Marampa at the beginning of January 2011. The issuance of the permit followed the formal approval and acceptance by the Sierra Leone Environmental Protection Agency ("SLEPA") of London Mining's Environmental Impact Assessment ("EIA"), the EIA having been discussed publically via four public hearings in Sierra Leone, which were attended by members of the public and NGOs. The permit is subject to an annual renewal by SLEPA, which requires ongoing environmental compliance in accordance with the Sierra Leone Environmental Act 2008 and the payment of an annual fee. The EIA meets all local regulations and London Mining is working with an internationally recognised environmental consultant to ensure compliance with international best practice.

Colombia (100% ownership)

In March 2010 London Mining acquired the 80% of International Coal Company, ("ICC", now renamed to London Mining Colombia) that it did not already own for an initial consideration of USD 5.5 million in cash and 3.5 million newly issued London Mining shares, with potential further consideration of up to USD 8.5 million and up to 6.3 million shares payable subject to the satisfaction of performance conditions. The performance conditions were linked to EBITDA and capital expenditure targets for the coke ovens, and to the delivery over time of attractive coking coal and port opportunities.

London Mining is now constructing coke ovens with a capacity of 200ktpa in the Boyaca region of Colombia, a region with significant local production of high quality coking coal. Completion of construction and first coke production is now expected in Q3 2011. This revised timeline is due to severe flooding associated with the La Niña weather system which required significant remedial drainage and some limited redesign. Full capacity of 200ktpa is expected to be reached in Q1 2012, following which the Company expects to commence a second phase of construction, increasing capacity to 400ktpa of coke. The capital expenditure for the first phase is expected to be USD 30 million.

The Company has agreed in principle a supply agreement with a local coking coal producer at a small discount to local market prices for up to 300ktpa of low volatility coking coal from mines being developed on neighbouring properties to London Mining's coke ovens. Following a high-level drilling programme on these properties, London Mining decided to enter into a supply agreement in preference to the original proposed joint venture structure.

The Company 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. An agreement has been signed for a concession in the vicinity of the coke ovens and which the Company is currently drilling with the expectation of developing a low and mid volatility coking coal mine to supply the coke ovens. In addition, the Company has signed a concession agreement for a property in the Cundinamarca province, which it will be exploring as a joint venture with another party. At the end of December 2010, 2,615 metres of diamond drilling and 3,724 metres of RC drilling had been completed.

The Company is also in a number of discussions with port and transport companies regarding short and medium term export arrangements.

Isua, Greenland (100% ownership)

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Isua is located 150km Northeast of Nuuk and 100km from a proposed deep seawater port. Isua will produce a premium quality 70% Fe pellet feed concentrate with low impurities and benefits from its position in the warmer south-west corner of Greenland which allows for year round shipping.

In March 2010, London Mining reported a JORC resource estimate completed by Snowden Mining Industry Consultants of 951Mt at 36% Fe. A PFS for a 10Mtpa open pit and processing operation from an initial 490Mt open pit mine plan was completed by SNC Lavalin in June 2010. The June 2010 PFS considered a 10Mtpa operation with a 21 year initial mine life and estimated capital expenditure of USD 1.7 billion. In February 2011 London Mining released the results of a 15Mtpa scoping study completed by SNC Lavalin.

The scoping study considered a 15Mtpa open pit and processing operation with a 15 year initial mine life for estimated capital expenditure of USD 2.0 billion, representing a 22% reduction in capital intensity. Operating costs increased from USD 27 to USD 29/t mostly due to a 20% increase in fuel costs. The scoping study was based on capital and operational cost estimates to a level of accuracy of -30% to +40% and assumed Chinese contractors CCCC and Sinosteel, with whom the Company is working, performing work on major capital items. The 15Mtpa scoping study and detailed work undertaken for the 10Mtpa PFS is to form the basis of a 15Mtpa bankable feasibility study ("BFS") which has already commenced and is scheduled to be completed by the end of 2011.

Highlights of the two studies are as follows:

Study date	Scoping Study (15Mtpa) February 2011	PFS (10Mtpa) June 2010
Annual production (Mtpa)	15	10
Mine life (years)	15	21
Opex (USD/t concentrate)	29	27
Capital expenditure breakdown - USD'000		
Mine	142,649	131,483
ROM Crushing	41,289	34,249
Process Plant	229,206	164,651
Tailings	11,179	9,368
Product Delivery	253,294	201,715
Port	162,510	132,439
Project Sensitivities	145,273	136,621
Project Infrastructure	396,348	358,395
Project Indirect Costs	397,853	345,314
Subtotal	1,779,602	1,514,235
Contingency (15%)	267,000	227,100
Total	2,046,602	1,741,335
Capital Intensity (USD/tpa)	136	174

The post-tax project economics based on new scoping study estimates and an August 2010 price deck provided by Raw Materials Group ("RMG") are displayed below. The value of the Isua Project is significantly increased if the Isua concentrate is sold into Europe rather than China, based on a significant freight differential of around USD 25/WMT.

	100% of product sold in China	100% of product sold in Europe
NPV8 (USD billion)	2.5	4.5
IRR (%)	23	33
Payback period (months)	25	36

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Average freight (USD/wmt)	8	33
Average netback (cdmtu)	120	159

The product specifications provided by London Mining to RMG based on test work by Studien-Gesellschaft für Eisenerz-Afbereitung ("SGA") were as follows:

Fe (total)	%	70.2
FeO	%	29.8
S	%	0.12 +/-0.06
P	%	0.09
SiO ₂	%	1.9
Al ₂ O ₃	%	0.05
MgO	%	0.2
CaO	%	0.16
TiO ₂	%	0.01
Na ₂ O	%	0.005
K ₂ O	%	0.006
D ₈₀	µm	28.5
Blaine value	cm ² /g	1,650
Filter cake moisture	%	< 9.0

London Mining has now completed three seasons of exploration drilling, further to previous drilling which took place during the 1970s, with drill holes from the 2010 campaign to be included in a new resource estimate as part of further feasibility work. The 2010 drill data will be augmented by a further campaign of 7,000 to 8,000 metres of drilling to be undertaken in 2011 to allow conversion of all necessary resources currently in the Inferred category to be upgraded to Indicated. In addition, all necessary base line data collections, advanced field drilling programs, (EIA) and Social Impact Assessments (SIA) have been, or are expected to be undertaken to allow completion of a full BFS by the end of 2011 with construction estimated to start in 2012 and first production at the beginning of 2015. London Mining is investigating strategies to fund the BFS programme by selling a minority stake at project level and also plans to introduce a strategic partner to provide funding for construction. A separate listing for Isua is also being considered.

Wadi Sawawin, Saudi Arabia (25% ownership)

The Wadi Sawawin Project located in the north-west corner of Saudi Arabia, 125km from Tabuk and 60km from the Red Sea port of Duba. Wadi Sawawin is of strategic and economic importance to Saudi Arabia as it will provide a domestic source of Direct Reduction ("DR") pellets for use in the DRI steel plants which account for 90% of steel production in the Middle East and North African region. The location of Wadi Sawawin will provide it with a competitive advantage over competing Brazilian and European supply through reduced freight rates from its deep water port in the Red Sea and access to low cost Saudi Arabian energy. In addition, the project will assist in the programme of diversification of the economy which is an important element of Saudi Arabian economic policy, and the government is expected to provide low cost funding via the PIF and SIDF.

The process to secure the funding of the Wadi Sawawin project continues. There have been initial positive discussions with the power, water and port authorities in Saudi Arabia regarding the provision of these services. In the event that agreements are reached, this would materially reduce the capital expenditure requirement of the project. London Mining is currently producing 10 tonnes of concentrate at a pilot plant in Perth, Australia to enable DR pellet samples to be produced by pellet plant bidders, and to provide samples to potential offtake providers.

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National Mining Company ("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 there are ongoing discussions.

In July 2011, London Mining announced the results of an updated bankable BFS for the Wadi Sawawin project and a revised agreement with its partner NMC.

Under the terms of the new agreement signed on 20 July 2010, in return for no further material funding requirements and no further dilution in subsequent equity fundings, London Mining will receive a direct interest of 25% in the Wadi Sawawin project through NMC. NMC holds the historical exploitation licence for the Wadi Sawawin project and three adjacent exploration licences. The Chairman of NMC is Prince Nawaf bin Sultan bin Abdul Aziz al Saud, who has provided his full commitment to the project and to this agreement. This agreement supersedes the previous agreement whereby London Mining held a 50% interest in a joint venture company, Saudi London Iron Limited, into which the licences were going to be transferred. Upon closing London Mining will receive shares equal to 25% of the issued share capital of NMC.

The updated BFS further improved the feasibility of the Wadi Sawawin project at 5Mtpa. The key economic parameters, based on the detailed analysis undertaken in the BFS, are:

- Total capital expenditure including power and desalination plant of USD 1.9 billion (a USD100 million reduction versus the previous BFS)
- Capital expenditure for power and desalination plant of c.USD 0.3 billion
- Operating costs of USD 48.3/t pellets (increased from USD 47.4/t)
- Project IRR of 13%, which produces an NPV 8 of USD 932 million (increased from 9% and USD 225 million)
- Project IRR of 15% estimated if power and water provided by a third party (increased from 13%)
- Project IRR of 18% estimated under 10Mtpa mine scenario (increased from 15%)

The economics of the project were also positively impacted by the assumption of higher pricing for Brazilian benchmark Tuberao DR quality pellets, which feed directly to higher pricing expectations for Wadi Sawawin DR pellets. In addition, the potential to increase the IRR through further optimisation of the capital expenditure, provision of power, desalination and potentially port facilities by third parties and through the expansion of the mine to 10Mtpa is significant.

The equity IRR will be dependent on the funding structure selected. NMC expects to raise financing to build the project through a combination of funding from local sources (including PIF and SIDF), commercial debt and the provision of offtake arrangements in exchange for an equity stake. The minimum leverage achievable is expected to be 60%.

The current indicated JORC resource of 248Mt grading 39.8% Fe is sufficient for a mine life of 21 years at the run rate of 5Mtpa. In addition, London Mining has inferred resources of 134Mt grading 39.2% Fe (as well as further exploration targets) which may provide the basis for an extension of the mine life at 5Mtpa by over 10 years or an expansion to 10Mtpa. London Mining will continue to undertake sufficient exploration to maintain the licences in good standing until funding is secured. The current resource is based entirely within the Western exploration licence and is contiguous with the current exploration licence. NMC has recently submitted to the Ministry of Petroleum and Mines in Jeddah an application for a revised exploitation licence sufficient for a 5Mtpa 20 year mine.

The BFS process was managed by the London Mining project team, based primarily in Oman, who engaged a team of consultants comprising: Worley Parsons (project management, transport, bathymetry and ESHIA studies), Ausenco (mineral processing and plant engineering), Snowden Group (geology and mine planning), AMMTEC (ore variability testing), Corus Consulting (formerly British Steel Consulting Overseas, mineral processing), CIT (drilling contractor), AME Mineral Economics and CRU Strategies (market report) and

Southern Mining Consultants (financial analysis. The BFS has been conducted to ensure the operation will meet Equator Principles.

China Global Mining Resources Joint Venture (“CGMR JV”), China (50% ownership through a joint venture)

Mining operations were halted by the mining authorities in Anhui province during the year, for reasons which primarily concerned the continued delay in consolidating the mines situated on the CGMR JV licence. The operator of the other two pits on the CGMR JV licence, Maanshan Binyong Mining Co. Ltd (“Binyong”), has recently won a court case which ruled that integration of CGMR’s pit, held through its 100% subsidiary Xiaonanshan Mining Co., Ltd (“XNS”), with the two Binyong pits should be enforced whereby Binyong would receive 60% of the equity in an enlarged XNS. This would integrate all current pits on the licence into one operation without payments being made between the parties. London Mining and the CGMR JV received legal advice from Chinese counsel throughout the court process that based on the evidence available there was no legal basis for the claim. The CGMR JV has appealed this ruling.

In addition, the arbitration claim from the original vendors of the XNS mine and Sudan processing plant regarding the timing for payment of deferred consideration of approximately USD 18.0 million (translated at 31 December 2010) remains unresolved, with an initial hearing date now set for April 2011. While London Mining is in negotiations with the vendor regarding the arbitration, the outcome is uncertain.

London Mining is investigating bringing in a Chinese partner to operate the mine in return for equity in the business, and is in discussions with several parties regarding this approach. However, given the current inability to operate the mine and the ongoing legal claims and rulings, London Mining has written down its investment in the CGMR JV to US nil carrying value. The provision would be reversed were funding raised for the venture and the legal proceedings concluded.

Chile (50% ownership through a joint venture)

As announced on 30 July 2010 London Mining has entered into a joint venture with a Chinese and Chilean based partner to take advantage of 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”).

At the date of investment, Atacama held options over a number of concessions to iron ore deposits in the Atacama region of Northern Chile, an area of known iron ore resources. Atacama is also actively exploring a number of new opportunities that could secure alternative options over iron ore concessions that are of great interest to Chinese strategic investors. Atacama has also recently secured an option over port access rights within a short distance of this region and is considering potential for establishing near-term production.

Under the terms of the agreement, any prospective iron ore concessions discovered in Chile by London Mining’s partners will be developed through the Joint Venture, London Mining will receive a priority loan return from production and/or any new cash raised by the venture.

Prior to year end, London Mining’s investment in the Joint Venture was USD 11.2 million (net of exploration costs expensed during the year) of which USD 5.0 million was recorded as goodwill and USD 6.2 million was shown as a long term receivable. In accordance with International Financial Reporting Standards, London Mining has written down the goodwill recognised at the date of the agreement to USD nil and has made full provision against the long term receivables. The provision is required because the portfolio of iron ore concessions and logistics opportunities being considered by Atacama has changed since the date of London Mining’s initial investment into the venture. In accordance with accounting standards, the initial investment of USD 11.2 million is not able to be reassigned to new exploration and port concession opportunities now being evaluated or obtained. The provision made against the receivable would be reversed if either new cash is

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invested into the venture or the venture has a defined resource or reaches production from one of the many new opportunities it is currently negotiating.

The joint venture has received interest from a number of parties for a potential off-take from concessions being explored in and around this area based on initial sample specifications taken and is currently in negotiations for a possible strategic investor in to the project.

New appointments to the Board

Luciano Ramos, Chief Operating Officer and Benjamin Lee, Head of Corporate Development have been appointed to the Board in recognition of their contribution to the development of the Company. In addition, the Company intends to appoint additional non-executive Directors to the Board in due course.

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About London Mining

London Mining is focused on identifying, developing and operating scaleable mines to become a mid-tier supplier to the global steel industry. London Mining is developing three iron ore mines in Sierra Leone, Saudi Arabia and Greenland as well as a coking coal operation in the Socha region of Colombia. All London Mining's assets 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).

Financial review

In the year ended 31 December 2010 the Group has changed to equity accounting for its interest in joint ventures to better reflect the way the Group now manages and reviews such investments. For the year ended 31 December 2009 the Group accounted for investments in joint ventures using the proportionate consolidation method as permitted by IAS 31 Interests in Joint Ventures. Results for the year and three months ended 31 December 2009 have therefore been restated to reflect the change in accounting policy, the effects of which are shown in note 4 to the financial statements.

1. Income statement

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The principal key performance indicator by which the Company measures the performance of its projects is earnings before interest, tax, depreciation and amortisation (EBITDA¹). EBITDA for the three months ended 31 December 2010 is a net loss of USD 10.1 million (equivalent Q4 2009: net loss of USD 11.3 million). EBITDA for the year ended 31 December 2010 is a net loss USD 31.4 million (equivalent year ended 2009 net loss: USD 31.7 million).

The quarter on quarter EBITDA movement is largely explained by lower corporate costs of USD 3.8 million (Q4 2009: USD 9.3 million). This is a result of lower key management remuneration and lower non-cash charges for share based payments and the return bonus plan as described below. This has been offset by higher Sierra Leone operating costs of USD 4.7 million (Q4 2009: USD 1.3 million) as the operation ramps up towards production, and costs from Colombia which was consolidated during the year following its acquisition and was previously equity accounted, USD 0.9 million (Q4 2009: USD nil).

It is noted that no amounts are included in EBITDA for joint ventures following the change in accounting policy from proportionate consolidation to equity accounting. EBITDA is stated prior to any impairment of joint ventures or associates.

Included in EBITDA for the year ended 31 December 2010 is:

- USD 32.4 million (2009: USD 32.5 million) of administration costs including:
 - staff related costs of USD 14.0 million (2009: 19.1 million) comprising:
 - i) USD 1.9 million (2009: USD 4.2 million) charge arising from the return bonus plan²; this charge reflects the non-cash IFRS 2 charge: cash payments for the return bonus plan during the year were USD 2.9 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;
 - ii) USD 3.9 million (2009: USD 4.8 million) staff costs for Directors and key management. The reduction is due to one off AIM listing and other bonuses paid in 2009;
USD 5.4 million of other staff costs (2009: USD 4.8 million). Higher costs reflect the increase due to higher head count following the ramp up of Sierra Leone operations and the acquisition of Colombia during the year, which was previously equity accounted; and

1. Income statement (*continued*)

- iii) A non-cash charge of USD 2.8 million (2009: USD 5.3 million) of share based payments to staff, Directors and key management. This reduction is due to options vesting in 2010.

- Other costs:
 - i) USD 7.0 million (2009: USD 4.3 million) of consultancy and legal fees. The increase is a result of fund raising costs, litigation costs in China and higher activity in Sierra Leone and Colombia (which was consolidated during the year);

¹ Excludes impairments and share of results of joint ventures and associates

² Compensation payments made under the Return Bonus Plan relate to the "Return of Cash" to shareholders. Full details of the compensation scheme are disclosed in the 2008 annual report. In summary, participants in the Company's share-based remuneration schemes receive an equivalent compensation payment for the loss of value in awards held at the time of the Return of Cash. The compensation payment vests in accordance with underlying terms of the original award to which it relates.

London Mining plc

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

For the year ended 31 December 2010

- ii) USD 3.1 million (2009: USD 2.0 million) of travel costs, due to higher activity at all projects, in particular Sierra Leone;
- iii) USD 4.0 million (2009: USD 1.7 million) of other Sierra Leone overheads as the operation ramps up to production and also includes USD 0.6 million of corporate and social responsibility costs in relation to the Group's community investment projects of education, health and the environment; offset by
- iv) USD 0.1 million (2009: USD 2.2 million) of AIM listing fees, due to the listing in November 2009.

Impairments

For the year ended 31 December 2010 the Group has made an impairment of USD 50.0 million relating to its Chinese operations, of which USD 14.2million was made in the period to 30 June 2010. This includes an impairment of USD 48.2 million to the group's share of the investment in the CGMR JV and an impairment of USD 1.2 million to receivables from the joint venture partner (note 8). The ongoing legal claims and production cessation have resulted in a prolonged delay to the fund raising process to acquire and consolidate the neighbouring pits. As a result the Directors have determined until such time there is more certainty around the legal status of the integrated CGMR JV licence and the required fund raising the recoverable amount from the investment should be written down in full.

In accordance with International Financial Reporting standards London Mining has written down its net investment in the Chile joint venture to USD nil. The provision is required because the portfolio of iron ore concessions and logistics opportunities being considered by the venture has changed since the initial investment. In accordance with accounting standards the initial investment cost is not able to be reassigned to new exploration and port concessions opportunities now being evaluated or obtained. This has resulted in an impairment of USD 11.6 million.

Loss on disposal of subsidiary

On 31 March 2010 the Company received net 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 on disposal recognised of USD 0.2 million.

Fair value loss on deferred consideration

A cumulative loss for the year to date of USD 5.6 million has been recognised in respect of deferred London Mining share consideration payable on the acquisition of ICC. The loss arose due to the revaluation of deferred share consideration to market value reflecting the increase in the London Mining share price from acquisition to 31 December 2010, (note 19).

1. Income statement (*continued*)

Taxation

A USD 1.3 million deferred tax asset has been recognised in the year, which relates to Sierra Leone carried forward losses which are expected to be utilised.

Marampa fiscal incentive review

A review of the MLA comprising fiscal incentives for Phase 1 by the Sierra Leone Government, ("GoSL") is near to conclusion.

London Mining plc**Notes to the condensed consolidated financial statements (*continued*)****For the year ended 31 December 2010**

Current discussions with the Committee 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 and hence the investment programme remains unchanged.

London Mining has also engaged in 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 to incorporate the full effect of the weathered ore and the Phase 2 development. It is expected 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 already having been through this review process. The Company supports efforts to increase transparency in the mining industry in Sierra Leone, and GoSL remains very supportive of London Mining's production and investment plans.

2. Balance sheet**Intangible assets**

Intangible assets increased from USD 49.3 million at 31 December 2009 to USD 97.2 million at 31 December 2010. This is primarily the result of the acquisition of ICC which has added goodwill of USD 39.7 million and further assets of USD 4.4 million. In addition there has been continued development at projects in Greenland, (USD 10.1 million drilling and feasibility study costs) and Saudi Arabia, (USD 7.3 million). Intangible assets in 2009 included USD 11.5 million related to Sierra Leone which have been transferred to Property, plant and equipment in 2010 in accordance with Group accounting policies when a project moves through to development.

Property, plant and equipment

Property plant and equipment increased from USD 3.6 million at 31 December 2009 to USD 81.1 million at 31 December 2010. This is due to additions of USD 74.1 million for the Marampa project, of which USD 20.7 million was transferred from intangible assets (including the 2009 Sierra Leone opening intangible asset balance of USD 11.5 million). Further additions of USD 53.4 million have been made during the year, the result of ongoing construction and in particular for contracts and orders for the WHIMS plant, power generators and port facility.

2. Balance sheet (continued)

Investment in joint ventures and associate, loans and receivables and assets held for sale

Investment in joint ventures

The investments in CGMR JV and Atacama have been written down to a USD nil value as at 31 December 2010 – see note (18).

DMC

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 2010, London Mining accepted an offer from Sable Mining Africa Limited (“Sable”) of USD 24.8 million in cash for its interest in DMC Group, (“DMC”) pending regulatory approval. As a result the investment in DMC at 31 December 2010 is classified as held for sale.

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 was received from The South African Regulatory Bank in respect of enforcement of the downside protection agreement in August 2010. 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.

Deferred consideration payable

The USD 24.3 million non-current deferred consideration relates to the acquisition of ICC and comprises potential deferred cash and non-cash share consideration, the vesting of which are subject to performance milestones, (note 19).

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 has decreased by USD 8.8 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 CEO 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 5.5 million in from sale proceeds of 1.8 million shares sold on behalf of the CEO to fund part of the tax arising on the exercise of the nil cost share awards, (sales proceeds of USD 5.0 million); USD 3.0 million reduction from the sale of 1.0 million shares, (sales proceeds of USD 4.9 million); offset by
- USD 9.7 million increase arising from 2.6 million shares purchased by the Trust during the period.

London Mining plc

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

For the year ended 31 December 2010

2. Balance sheet (*continued*)

The warrant and option reserve has decreased by USD 3.0 million during the year 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 2.8 million of share based payment charge in the period.

3. Cash flow

Total cash decreased during the year by USD 127.9 million (excluding foreign exchange) to USD 76.0 million

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

- USD 29.6 million net outflow from operating activities, (2009: USD 22.8 million outflow);
- USD 98.1 million net outflow from investing activities, (2009: USD 77.7 million outflow); and
- USD 0.2 million net outflow from financing activities, (2009: USD 12.0 million outflow).

Operating cash outflow

The USD 29.6 million operating cash outflow has arisen from the USD 99.6 million loss for the year adjusted for noncash and non-operating items, including:

- USD 61.7 impairment charges;
- USD 5.6 million fair value loss on deferred consideration;
- USD 2.8 million share based payment expense;
- USD 1.3 million deferred tax credit;
- USD 1.0 million depreciation;
- USD 1.0 million share of loss from joint ventures and associates; and
- USD 1.1 million outflow from working capital.

Investing cash outflows

Investing cash flows for the year included:

- A total of USD 82.3 million spent on intangible assets and property, plant and equipment, reflecting the ongoing development of projects including:
 - USD 52.1 million Marampa, Sierra Leone;
 - USD 10.4 million Wadi Sawawin, Saudi Arabia;
 - USD 11.3 million Isua, Greenland; and
 - USD 7.5 million ICC, Colombia.
- USD 6.5 million loans provided to fund acquisition and exploration in relation to the Chilean joint venture (note 18)
- USD 5.1 million net cash outflow in respect of the acquisition of ICC
- USD 5.5 million payment of previously accrued transaction costs of in relation to the 2008 Brazil disposal stated net of proceeds from the Mexico disposal of USD 0.8 million.

For the year ended 31 December 2009 the investing cash flow included an amount of USD 44.5 million in respect of the acquisition and funding of the CGMR JV (note 18).

3. Cash flow (*continued*)

London Mining plc

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

For the year ended 31 December 2010

Financing cash outflow

Net cash outflow from financing activities of USD 0.2 million is a result of:

- USD 9.9 million inflow into the employee benefit trust from the sale of shares;
- USD 1.7 million inflow from the exercise of warrants and options;
- USD 9.7 million outflow from the purchase of shares by the employment benefit trust.
- USD 2.1 million outflow in relation to arrangement fees for the revolving credit facility

4. Liquidity and going concern

At 31 December 2010 the Group had cash of USD 76.0 million and no material drawn down borrowings.

In February 2011 the Company received the proceeds of a USD 110.0 million, (net of costs) offering of unsecured convertible bonds, repayable in 2016. The bonds carry a coupon of 8% per annum, payable semi-annually in arrears and will be convertible into London Mining plc shares at a conversion price of GBP 4.84 per share, representing a 38% premium to the average market price on the date of offering. 100% of their principle amount, unless previously converted, redeemed or purchased and cancelled, will be redeemed on maturity. London Mining has the right to redeem all outstanding bonds at par together with accrued interest from three years after the closing date at any time as long as the share price exceeds 130% of the conversion price for more than 20 out of 30 consecutive trading days or if 15% or less of the bonds remain outstanding.

On 15 October 2010 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 subject to certain conditions precedent which the Directors expect to be fully satisfied in Q1 2011.

London Mining has sufficient cash resources in conjunction with the expected receipt of USD 24.8 million proceeds from the sale of DMC, convertible bond and revolving credit facility to deliver Phase 1a tailings production at Sierra Leone, to accelerate Phase 1b expansion, to fund the Phase 2 bankable feasibility study and for initial coke production and exploration activity in Colombia in accordance with the Group's reported timetable.

Production funding for the more capital intensive projects in Greenland and Saudi Arabia will be sought from external funding into these projects directly. London Mining is seeking funds to finance a 15Mtpa BFS in 2011 for the Isua project, with financial and strategic partners being considered. Royal Bank of Canada and Macquarie are advising on the process for selecting a funding partner.

External funding of the CGMR JV is still needed to finance the required consolidation and growth of the Chinese operations. London Mining is investigating bringing in a Chinese partner to operate the mine in return for equity in the business, and it is in discussions with several parties regarding this approach.

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 committed liquidity even without reliance on the SCB facility, 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.

London Mining plc**Notes to the condensed consolidated financial statements (*continued*)****For the year ended 31 December 2010**

5. Change in accounting policy

For the year ended 31 December 2010 the Group has changed its accounting policy to account for joint ventures using the equity method rather than the proportionate consolidation method to better reflect the way in which the Group now manages and reviews its investment in joint ventures. Results for the year ended 31 December 2009 and 2010 have been restated to reflect this change in accounting policy.

Previously the Group had recognised revenues, costs, assets and liabilities on a proportionate consolidation basis, these items have now been consolidated into share of results of joint ventures in the income statement and Investment in Joint ventures and associates on the balance sheet (note 4).

6. Related party transactions

Related party transactions are disclosed in note 21.

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.

London Mining plc
Condensed consolidated income statement

		Unaudited Three months ended 31 December 2010 \$'000	Restated¹ Unaudited Three months ended 31 December 2009 \$'000	Unaudited Year ended 31 December 2010 \$'000	Restated¹ Unaudited Year ended 31 December 2009 \$'000
	Note				
Continuing operations					
Revenue		-	-	-	-
Cost of sales		-	-	-	-
Gross profit		-	-	-	-
Administrative expenses	7	(10,465)	(11,666)	(32,394)	(32,485)
Loss from operations		(10,465)	(11,666)	(32,394)	(32,485)
Impairments and exploration write downs	8	(47,027)	-	(61,657)	(6,000)
Loss on disposal of a subsidiary		-	-	(236)	-
Fair value gain / (loss) on deferred consideration	19	1,365	-	(5,565)	-
Share of results of joint ventures and associates (net of tax)		(875)	617	(1,006)	3,437
Finance income	9	517	693	3,289	2,517
Finance costs	10	(1,428)	(567)	(3,267)	(1,864)
Loss before taxation		(57,913)	(10,923)	(100,836)	(34,395)
Taxation	6	1,258	-	1,258	-
Loss after taxation		(56,655)	(10,923)	(99,578)	(34,395)
Attributable to:					
- Equity holders of parent		(56,655)	(10,923)	(99,578)	(34,355)
- Non-controlling interest		-	-	-	(40)
		(56,655)	(10,923)	(99,578)	(34,395)
Basic & diluted earnings per share (USD per share)					
From continuing operations	11	(0.51)	(0.11)	(0.92)	(0.33)
Condensed consolidated statement of comprehensive income					
Loss for the period		(56,655)	(10,923)	(99,578)	(34,395)
Exchange difference on consolidation of non USD operations	37	37	(139)	47	628
Total comprehensive income for the period		(56,618)	(11,062)	(99,531)	(33,767)

¹2009 restated for change in accounting policy (note 4).

London Mining plc
Condensed consolidated balance sheet
As at 31 December 2010

		Unaudited As at 31 December 2010 \$'000	Restated ¹ Unaudited As at 31 December 2009 \$'000
	Note		
Non-current assets			
Intangible assets	12	97,241	49,292
Property, plant and equipment	13	81,118	3,632
Investment in joint ventures and associates	14	-	64,414
Inventories		-	600
Loans and receivables	15	-	24,500
Deferred tax asset	6	1,226	-
		179,585	142,438
Current assets			
Inventories		600	-
Loans and receivables	15	6,423	2,729
Cash and cash equivalents	16	76,038	204,261
		83,061	206,990
Assets classified as held for sale	17	28,072	-
Total assets		290,718	349,428
Current liabilities			
Current tax liabilities		(545)	-
Trade and other payables		(21,482)	(20,703)
		(22,027)	(20,703)
Net current assets		89,106	186,287
Non-current liabilities			
Other non-current liabilities		-	(1,134)
Deferred consideration	19	(24,337)	-
Deferred tax liabilities		-	(32)
		(24,337)	(1,166)
Total liabilities		(46,364)	(21,869)
Total net assets		244,354	327,559
Equity			
Share capital		411	398
Share premium account		21,803	20,094
Merger reserve	19	12,000	-
Shares held in employee benefit trust		(5,411)	(14,167)
Other reserves		18,589	21,523
Retained earnings		196,962	299,312
Equity attributable to equity holders of the parent		244,354	327,160
Non-controlling interest		-	399
Total equity		244,354	327,559

¹2009 restated for change in accounting policy (note 4).

London Mining plc

Condensed consolidated statement of changes in equity (unaudited)

For the year ended 31 December 2010

	Share capital \$'000	Share premium account \$'000	Merger Reserve \$'000	Shares held in employee benefit trust \$'000	Retained earnings \$'000	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 2009	398	20,094	-	(14,167)	299,312	16,125	5,398	327,160	399	327,559
Changes in equity for the year ended 31 December 2010										
Exchange difference on consolidation of non-USD operations	-	-	-	-	-	-	47	47	-	47
Issue of share capital ²	11	-	12,000	-	-	-	-	12,011	-	12,011
Recognition and exercise of share based payment awards ³	2	1,709	-	8,756	(2,772)	(2,981)	-	4,714	-	4,714
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(399)	(399)
Loss for the period	-	-	-	-	(99,578)	-	-	(99,578)	-	(99,578)
Balance at 31 December 2010	411	21,803	12,000	(5,411)	196,962	13,144	5,445	244,354	-	244,354

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 13.7 million issue of share capital includes the fair value of USD 12.0 million of the 3,500,000 shares issued on the acquisition of the remaining 80% of International Coal Company Limited ("ICC"), (note 19). The merger reserve comprises the non-statutory premium arising on shares issued as consideration for the acquisition where merger relief under the sections 612 and 613 of the Companies Act 2006 applies.

³ 676,666 new shares were issued in the year in satisfaction of share options and warrants exercised, with the Group receiving consideration of USD 1.7 million. On March 31 2010, the London Mining plc Employee Benefit Trust "EBT" transferred 4,718,884 ordinary shares at a carrying value of USD 10.0 million 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 5.5 million for consideration of USD 5.0 million 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 GBP 4.9 million (USD 7.3 million) tax liability met by the Group. The EBT acquired a further 750,000 shares in the period at a total cost of USD 2.4 million. In October and November 2010, the EBT sold a further 975,781 shares with a carrying value of USD 3.0 million for total proceeds of USD 4.9 million.

London Mining plc
Condensed consolidated cash flow statement
For the year ended 31 December 2010

		Year ended 31 December 2010 Unaudited \$'000	2009 Restated ¹ Unaudited \$'000
	Note		
Cash flows from operating activities			
Cash used by operations	20	(29,716)	(23,657)
Interest received		252	919
Interest paid		(116)	(16)
Income taxes paid		-	-
Net cash outflow from operating activities		(29,580)	(22,754)
Cash flows from investing activities			
Loans to and investments in joint ventures	18	(6,514)	(38,727)
Loans to and investments in associates		(1,500)	(1,000)
Other loans and investments net of repayments		2,000	(5,750)
Convertible loans issued to joint venture		-	(5,000)
Acquisition of a subsidiary, net of cash acquired	19	(5,061)	-
Payments to acquire intangible assets		(31,462)	(24,771)
Purchase of property, plant and equipment		(50,798)	(1,913)
Transaction costs, net of proceeds from sale of subsidiaries ²		(4,746)	(541)
Net cash outflow from investing activities		(98,081)	(77,702)
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		9,932	-
Net cash inflow on share capital issued on exercise of options and warrants		1,711	140
Cash outflow on share based payments		-	(1,060)
Finance fees and costs		(2,140)	-
Net cash outflow from financing activities		(246)	(12,026)
Net decrease in cash and cash equivalents		(127,907)	(112,482)
Cash and cash equivalents at beginning of the year		204,261	316,286
Exchange differences		(316)	457
Cash and cash equivalents at the end of the year		76,038	204,261

¹ 2009 restated for change in accounting policy (note 4)

² Transaction costs relate to the 2008 disposal of the Brazilian operations.

1. General information

London Mining plc is a company incorporated in the United Kingdom under the Companies Act and listed on the AIM and Oslo Axess stock exchanges. The address of the registered office is 39 Sloane Street, London, SW1X 9LP. The consolidated financial statements of the Company as at and for the quarter ended 31 December 2010 comprise the Company, its subsidiaries and its share of jointly controlled entities (together referred to as “the Group”) and the Group’s interest in associates.

The financial information for the year ended 31 December 2010 or 2009 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. The audit of the statutory accounts for the year ended 31 December 2010 is not yet complete. The accounts will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to Registrar of Companies following the Company’s Annual General Meeting.

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 Operations and Financial Review.

2. New and revised International Financial Reporting Standards

Adoption of new and revised International Financial Reporting Standards

In the year ended 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 (note 19). 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 for the first time in the year ended 31 December 2010 which 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

With the exception of joint ventures, 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 has chosen to change its accounting policy for joint ventures from proportionate consolidation to equity accounting. This is due to management reassessing the manner in which it now manages its joint ventures, as well as the expected amendment to IAS31 'Interests in Joint Ventures' which is expected to eliminate the current choice between using proportionate consolidation or equity accounting, and mandating companies to use equity accounting only.

This choice means that instead of the results of joint ventures being reported on a line-by-line basis in both the income statement and balance sheet, the Group's share of results of joint ventures and share of net assets of joint ventures are instead each disclosed on a single line. This change in accounting policy must also be applied retrospectively and previously reported financial information for 2009 has been restated where appropriate in these financial statements.

The Group had no joint venture investments prior to the acquisition of the joint venture interest in China Global Mining Resources BVI ("CGMR JV") in 2009, (note 14), and as a result no comparative financial information for the year ended 2008 has been presented. The change in accounting policy has had no impact on retained earnings or net assets.

The necessary restatement of prior period balances has been made in accordance with IAS 31. The presentational differences of this are shown in note 4.

4. Change in accounting policy in respect of joint ventures

The presentational differences resulting from the change in accounting policy for the Group's investment in joint ventures on the Group's balance sheet and income statement for the year ended 31 December 2009 (which relate wholly to the CGMR JV) are presented below.

4. Change in accounting policy in respect of joint ventures (continued)

Income statement:			
	2009 \$'000	Unaudited Adjustments \$'000	Unaudited Restated 2009 \$'000
Revenue	8,878	(8,878)	-
Cost of sales	(6,377)	6,377	-
Gross profit	2,501	(2,501)	-
Other income	2,330	(2,330)	-
Administrative expenses	(33,423)	938	(32,485)
Loss from operations	(28,592)	(3,893)	(32,485)
Impairments	(6,000)	-	(6,000)
Group's share of results of joint ventures and associates (net of tax)	(123)	3,560	3,437
Finance income	2,893	(376)	2,517
Finance costs	(2,171)	307	(1,864)
Loss before taxation	(33,993)	(402)	(34,395)
Taxation	(402)	402	-
Loss for the year after taxation	(34,395)	-	(34,395)

The effects of the change in accounting policy in the three months ended 31 December 2009 are shown below.

	Unaudited Three months ended 31 December 2009 \$'000	Unaudited Adjustments \$'000	Unaudited Three months ended 31 December 2009 Restated \$'000
Revenue	2,945	(2,945)	-
Cost of sales	(2,661)	2,661	-
Gross profit	284	(284)	-
Other income	846	(846)	-
Administrative expenses	(11,813)	147	(11,666)
Loss from operations	(10,683)	(983)	(11,666)
Group's share of results of joint ventures and associates (net of tax)	12	605	617
Finance income	832	(139)	693
Finance costs	(701)	134	(567)
Loss before taxation	(10,540)	(383)	(10,923)
Taxation	(383)	383	-
Loss for the year after taxation	(10,923)	-	(10,923)

4. Change in accounting policy in respect of joint ventures (continued)

Amounts of revenue, cost of sales, other operating income, (in relation to management fees) administrative expenses, finance income, finance cost and taxation relating to the joint venture investment in China Global Mining Resources Hong Kong ("CGMR") were previously proportionately consolidated and have now been all classified as the Group's share of results of joint ventures and associates (net of tax).

Balance sheet:

	2009 \$'000	Unaudited Adjustments \$'000	Unaudited Restated 2009 \$'000
Non-current assets			
Property, plant and equipment ¹	48,270	(44,638)	3,632
Investment in joint ventures and associates ⁶	14,910	49,504	64,414
Loans and receivables ²	51,020	(26,520)	24,500
Other non-current assets	49,892	-	49,892
Total non-current assets	164,092	(21,654)	142,438
Current assets³	209,226	(2,236)	206,990
Total assets	373,318	(23,890)	349,428
Current liabilities			
Current liabilities ⁴	(30,893)	10,190	(20,703)
Non-current liabilities ⁵	(14,866)	13,700	(1,166)
Total liabilities	(45,759)	23,890	(21,869)
Net assets	327,559	-	327,559

The adjustments relate to:

¹ Reclassification of the Group's share of CGMR's property, plant and equipment. The amount included excess purchase consideration recognised on acquisition of USD 34.7 million.

² Loans and receivables reclassified include the net USD 17.85 million loan to joint venture, the USD 5.75 million loan to joint venture partner, net management fees receivable USD 2.3 million and share of prepayments of USD 0.6 million, (note 15).

³ Share of cash, debtors and inventories reclassified to investment in joint ventures and associates.

⁴ Current liabilities reclassified include share of deferred consideration of USD 8.7 million, trade and other payables, USD 1.2 million and current tax liabilities USD 0.3 million.

⁵ Non-current liabilities reclassified include deferred tax recognised on acquisition (USD 8.5 million) and environmental restoration provisions (USD 1.4 million), and the Group's share of non-current liabilities payable to the joint venture partner (USD 3.8 million).

⁶ Total reclassifications into investment in joint ventures and associates total USD 49.5 million.

5. Segment reporting

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

Segment revenues and results

The following is an analysis of the Group's results from continuing operations by reportable segment. There is no segmental revenue in the years ended 31 December 2010 and 2009. The key segment result presented to the Board of Directors for strategic decision making and allocation of resources is EBITDA. Group EBITDA represents earnings / losses from operations excluding depreciation and amortisation (and therefore excludes the Group's share of results of joint ventures and associates (net of tax) and impairments). Group EBITDA is analysed below.

The analysis of the Group's segmental result by reportable segment for the year ended 31 December 2010 is as follows:

		Segmental result	
		Unaudited Year ended 31 December 2010 \$'000	Restated Unaudited Year ended 31 December 2009 \$'000
Iron ore projects	- Sierra Leone	(10,258)	(4,740)
	- Greenland	(816)	(689)
	- Saudi Arabia	(1,009)	(1,574)
	- China	-	-
Coal project	- Colombia	(2,127)	-
Unallocated costs including corporate		(17,202)	(24,718)
Group EBITDA		(31,412)	(31,721)
Depreciation and amortisation		(982)	(764)
Loss from operations		(32,394)	(32,485)
Impairments ¹		(61,657)	(6,000)
Loss on disposal of subsidiary		(236)	-
Fair value loss on deferred consideration		(5,565)	-
Share of results of joint ventures and associates ²		(1,006)	3,437
Finance income		3,289	2,517
Finance costs		(3,267)	(1,864)
Loss before taxation		(100,836)	(34,395)

¹ Included within impairments are write downs of USD 50.0 million in respect of China, (2009: USD nil) and USD 11.6 million in respect of the Group's Chilean investments, (note 18).

² The share of results of joint ventures and associates includes a profit of USD 0.3 million (2009: USD 3.6 million profit) in relation to China.

EBITDA includes unallocated costs for non-cash charges in relation to share based payments (note 7). There are no other material non-cash charges included in EBITDA.

5. Segment reporting (continued)

The analysis of the Group's segmental result by reportable segment for the three months ended 31 December 2010 is as follows:

		Segmental result	
		Unaudited Three months ended 31 December 2010 \$'000	Restated Unaudited Three months ended 31 December 2009 \$'000
Iron ore projects	- Sierra Leone	(4,744)	(1,292)
	- Greenland	(349)	(343)
	- Saudi Arabia	(334)	(337)
	- China	-	-
Coal project	- Colombia	(935)	-
Unallocated costs including corporate		(3,774)	(9,291)
Group EBITDA		(10,136)	(11,263)
Depreciation and amortisation		(329)	(403)
Loss from operations		(10,465)	(11,666)
Impairments ¹		(47,027)	-
Fair value loss on deferred consideration		1,365	-
Share of results of joint ventures and associates ²		(875)	617
Finance income		517	693
Finance costs		(1,428)	(567)
Loss before taxation		(57,913)	(10,923)

¹ Included within impairments are write downs of USD 35.8 million in respect of China, (2009: USD nil) and USD 11.2 million in respect of the Group's Chilean investments, (note 18).

² The share of results of joint ventures and associates includes a loss of USD 0.7 million (2009: USD 0.6 million profit) in relation to China.

5. Segment reporting (continued)

Segment assets and liabilities

	Unaudited			
	Segment assets		Segment liabilities	
	31 December 2010 \$'000	Restated 31 December 2009 \$'000	31 December 2010 \$'000	Restated 31 December 2009 \$'000
Iron ore project				
Sierra Leone	78,685	15,724	(9,627)	(991)
Greenland	30,644	21,041	(512)	(1,483)
Saudi Arabia	23,352	16,039	(789)	(2,196)
China	-	49,504	-	-
Coal project				
Colombia	55,136	-	(25,623)	-
	187,817	102,308	(36,551)	(4,670)
Group investment in joint ventures and associates ¹	-	14,910	-	-
Unallocated including corporate	74,829	232,210	(9,813)	(17,199)
Assets classified as held for sale	28,072	-	-	-
Total	290,718	349,428	(46,364)	(21,869)

¹ Excluding the Group's share of the results of CGMR JV.

For the purposes of monitoring segment performance and allocating resources between segments, all assets are allocated to reportable segments other than investments in associates, convertible loans to associates and joint ventures and other corporate assets, such as cash, together with the assets held in Mexico at 31 December 2009, as this subsidiary, which was sold on 31 March 2010, was not a reportable segment. These assets are all classified as "unallocated including corporate". The Group's net investment in CGMR JV has been included within segmental assets.

All liabilities are allocated to reportable segments other than liabilities held within the corporate head office.

6. Taxation (unaudited)

In the three months ended 31 December 2010 the Group has recognised USD 1.2 million of a deferred tax asset in relation to losses incurred by the Sierra Leone project.

7. Administrative expenses

The key components of administrative expenses are as follows:

	Unaudited			
	Three months ended 31 December 2010 \$'000	Restated Three months ended 31 December 2009 \$'000	Year ended 31 December 2010 \$'000	Restated Year ended 31 December 2009 \$'000
Return Bonus Plan ¹	335	1,148	1,905	4,230
Staff costs				
Share-based payments to staff, directors and other key management ²	613	2,412	2,821	5,319
Directors and key management remuneration excluding share-based payments	962	2,364	3,889	4,765
Other staff costs ⁴	1,504	1,949	5,417	4,819
Consultancy and legal fees	3,237	756	7,028	4,301
Depreciation and amortisation	329	403	982	764
Fees payable to the Group's auditors for the audit of the Group's annual and interim accounts	54	36	378	126
Fees payable to the Group's auditors for other services to the Group (including AIM listing) ³	25	350	286	745
Fees payable to other audit firms	6	32	60	63
Operating lease costs – property	179	197	787	697
AIM listing fees (excluding amounts paid to auditors)	-	412	107	2,191

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 all optionholders and two LTIP awardholders. Payments are due on vesting of the related option / LTIP award. The USD 1.9 million charge to the income statement in the year ended 31 December 2010 represents the non-cash charge. Cash payments in the year were USD 2.9 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 Other services undertaken by the Group's auditors included work performed on the AIM listing of USD nil (2009: USD 273,000), interim audit fees of USD 121,000 (2009: USD 101,000), taxation services of USD 116,000 (2009: USD 257,000) and other services of USD 49,000 (2009: USD 114,000).

⁴ The 2009 other staff costs have been restated to be consistent with prior period presentation. This restatement is to include housing, medical, subsistence and other allowances provided to expatriate employees of the group.

8. Impairments and exploration write downs

Unaudited				
	Three months ended 31 December 2010	Three months ended 31 December 2009	Year ended 31 December 2010	Year ended 31 December 2009
Note	\$'000	\$'000	\$'000	\$'000
Impairments				
Impairment of investment in CGMR JV and joint venture partner ¹	18	35,822	-	-
Impairment of investment in Atacama ²	18	11,205	-	-
Impairment of an investment in DMC	14	-	-	6,000
	47,027	-	61,657	6,000

¹ Includes impairments of USD 1.2 million in relation to receivables from joint venture partner

² Includes provision against receivables and exploration write off.

9. Finance income

Unaudited				
	Three months ended 31 December 2010	Restated Three months ended 31 December 2009	Year ended 31 December 2010	Restated Year ended 31 December 2009
	\$'000	\$'000	\$'000	\$'000
Finance income				
Interest income from cash and cash equivalents	60	152	259	919
Interest income from loans and receivables	129	259	422	342
Exchange gains	328	282	2,608	1,256
	517	693	3,289	2,517

10. Finance costs

	Unaudited			
	Three months ended 31 December 2010 \$'000	Restated Three months ended 31 December 2009 \$'000	Year ended 31 December 2010 \$'000	Restated Year ended 31 December 2009 \$'000
Finance costs				
Interest expense	-	-	-	16
Unwinding of discount on deferred consideration	199	-	527	-
Financing charges	289	-	289	-
Exchange losses	940	567	2,451	1,848
	1,428	567	3,267	1,864

11. Earnings per share

(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 EBT.

	Unaudited			
	Three months ended 31 December 2010 \$'000	Three months ended 31 December 2009 \$'000	Year ended 31 December 2010 \$'000	Year ended 31 December 2009 \$'000
Loss from continuing operations attributable to equity holders of the Company	(56,655)	(10,923)	(99,578)	(34,355)
Weighted average number of ordinary shares in issue	111,857,952	102,827,200	108,473,752	103,741,724
Loss per share USD	(0.51)	(0.11)	(0.92)	(0.33)

(b) Diluted

The outstanding options, warrants and LTIP awards at 31 December 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.

12. Intangible assets (unaudited)

		Software	Goodwill	Mineral rights and exploration and evaluation costs	Total
	Note	\$'000	\$'000	\$'000	\$'000
Cost at 1 January 2010		106	-	49,186	49,292
Additions		-	-	28,647	28,647
Acquisition of subsidiary	19	-	39,695	1,723	41,418
Disposals		(7)	-	-	(7)
Disposal of subsidiary		-	-	(1,374)	(1,374)
Transfer to property, plant and equipment	13	-	-	(20,702)	(20,702)
31 December 2010		99	39,695	57,480	97,274
Amortisation at 1 January 2010		-	-	-	-
Charge for the year		36	-	-	36
Disposals		(3)	-	-	(3)
31 December 2010		33	-	-	33
Net carrying value					
1 January 2010		106	-	49,186	49,292
31 December 2010		66	39,695	57,480	97,241

The goodwill acquired in the period has arisen on the acquisition of ICC, (note 19).

During October 2010, as a result of the Group securing the USD 60.0 million Standard Chartered financing, the mineral rights and exploration and evaluation costs in Sierra Leone were transferred into mining properties in property, plant and equipment. This is in accordance with the Group's accounting policies.

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

For the year ended 31 December 2010

13. Property, plant and equipment (unaudited)

		Mineral properties Restated \$'000	Land and buildings Restated \$'000	Capital work in progress Restated \$'000	Office equipment and furniture Restated \$'000	Plant and equipment Restated \$'000	Total Restated \$'000
Cost at 1 January 2010		-	1,486	91	702	2,576	4,855
Additions		6,599	-	47,615	342	2,423	56,979
Acquisition of subsidiary	19	-	445	272	43	-	760
Reclassification	12	20,078	(1,486)	2,110	-	-	20,702
Disposals		-	-	-	(16)	(18)	(34)
Disposal of subsidiary		-	-	-	(3)	-	(3)
31 December 2010		26,677	445	50,088	1,068	4,981	83,259
Depreciation at 1 January 2010		-	-	-	315	908	1,223
Charge for the year		-	-	12	244	690	946
Disposals		-	-	-	(8)	(18)	(26)
Disposal of subsidiary		-	-	-	(2)	-	(2)
31 December 2010		-	-	12	549	1,580	2,141
Net carrying value							
1 January 2010		-	1,486	91	387	1,668	3,632
31 December 2010		26,677	445	50,076	519	3,401	81,118

London Mining plc
Notes to the condensed consolidated financial statements (continued)
For the year ended 31 December 2010

14. Investment in joint ventures and associates (unaudited)

	CGMR JV Restated \$'000	Atacama Restated \$'000	Invest- ment in joint ventures Restated \$'000	ICC Restated \$'000	DMC Restated \$'000	Invest- ment in associates Restated \$'000	Invest- ment in joint ventures and associates Restated \$'000
At 31 December 2008	-	-	-	4,851	15,759	20,610	20,610
Acquisitions	44,477	-	44,477	-	-	-	44,477
Additional loans and investments	1,467	-	1,467	-	-	-	1,467
Group share of results of joint ventures and associates (net of tax)	3,560	-	3,560	(362)	239	(123)	3,437
Impairments	-	-	-	-	(6,000)	(6,000)	(6,000)
Exchange differences	-	-	-	-	423	423	423
At 31 December 2009	49,504	-	49,504	4,489	10,421	14,910	64,414
Acquisitions	-	5,000	5,000	-	28,106	28,106	33,106
Additional loans and investments	1,074	6,724	7,798	-	-	-	7,798
Group share of results of joint ventures and associates (net of tax)	251	(113)	138	(329)	(815)	(1,144)	(1,006)
Loan repayments	(2,106)	-	(2,106)	-	-	-	(2,106)
Impairments	(48,799)	(11,611)	(60,410)	-	-	-	(60,410)
Disposal	-	-	-	(4,160)	(9,606)	(13,766)	(13,766)
Reclassified to assets held for sale	-	-	-	-	(28,072)	(28,072)	(28,072)
Exchange differences	76	-	76	-	(34)	(34)	42
At 31 December 2010	-	-	-	-	-	-	-

Joint venture investment in CGMR JV:

The company completed the acquisition of its 50% investment in CGMR JV on 23 April 2009 for an initial USD 44.5 million. For the year ended 31 December 2010 the carrying value of the investment has been written down to USD nil, (note 18).

Joint venture investment in Atacama:

On 30 July 2010 the Company entered into a joint venture agreement to acquire 50% of Atacama Mining Resources Corporation, ("Aracama"). In consideration for the shares, London Mining converted a USD 5.0 million loan previously made to the vendors and has provided additional loans of USD 6.7 million. Impairments of USD 11.6 million have been recorded against the investment writing down the carrying value to USD nil (note 18).

Associate investment in ICC:

Following the acquisition of the remaining 80% of ICC (note 19) the previous 20% associate investment in ICC has been disposed of and an acquisition of 100% of ICC recognised. The fair value of the associate investment has been taken into account when determining the purchase consideration (note 19).

14. Investment in joint ventures and associates (continued)

Associate investment in DMC:

Investments in associates held at 31 December 2009 relate to investments made in DMC Coal. In August 2009 an impairment of USD 6.0 million was made following DMC's management's decision to not proceed with the Pixley KaSeme coal project.

On 13 January 2010, London Mining converted the USD 18.5 million convertible loan due from DMC Group 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%. The overall carrying value at 31 December 2010 is USD 28.1 million.

On 23 April 2010, London Mining accepted an offer from Sable Mining Africa Limited ("Sable") for its USD 28.1 million interest in DMC and the asset has been transferred to Assets held for sale, see note 17.

Aggregated amounts relating to joint ventures and associates are set out below:

	Unaudited			
	Joint ventures 2010 \$'000	Joint ventures 2009 \$'000	Associates 2010 \$'000	Associates 2009 \$'000
Total assets	-	66,142	-	22,614
Total liabilities	-	(16,638)	-	(7,704)
Group's share of joint ventures and associates net assets	-	49,504	-	14,910

15. Loans and receivables

	Unaudited	
	2010 \$'000	Restated 2009 \$'000
Non-current		
Convertible loans receivable ¹	-	5,000
Convertible loans to associates ²	-	19,500
	-	24,500
Current		
Prepayments	5,794	595
Receivable from joint venture partner	-	342
Convertible loan receivable from joint venture partner ³	-	1,000
Other receivables	629	792
	6,423	2,729
	6,423	27,229

London Mining plc**Notes to the condensed consolidated financial statements (continued)****For the year ended 31 December 2010****15. Loans and receivables (continued)**

¹ The convertible loan has been converted into 50% of the share capital of Atacama.

² Convertible loans to associates of USD 19.5 million at 31 December 2009 comprised the USD 1.0 million convertible loan advanced to ICC in November 2009, which in 2010 eliminates as ICC is now a 100% wholly owned subsidiary 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% holding in DMC Group. Following the offer from Sable the investment has been reclassified as held for sale at 31 December 2010, (note 17).

³ This loan with the Chinese Joint Venture partner Wits Basin, convertible on demand into shares in Wits Basin at USD 0.10 per share and repayable on demand, with an interest rate of 8% per annum has been impaired for the year ended 31 December 2010 (note 18).

16. Cash and cash equivalents (unaudited)

Included in cash and cash equivalents is an amount of USD 7.8 million of restricted cash. This relates to a letter of credit for the import of manufactured goods into Sierra Leone.

17. Assets held for sale

	Unaudited	
	2010	2009
	\$'000	\$'000
Investment in DMC	28,072	-
Total assets held for sale	28,072	-

On 23 April 2010, London Mining accepted an offer from Sable Mining Africa Limited ("Sable") for USD 24.8 million in cash for its 27.5% interest in DMC Group. The offer was subject only to regulatory approvals relating to change of control in DMC Group and anti-trust matters, the South African Regulatory Bank ("SARB") approval having been received in August 2010. As a result the investment has been reclassified as held for sale.

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 40.0 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 SARB 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.

18. Joint ventures (unaudited)

(A) Investment by London Mining plc in the CGMR JV

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

For the year ended 31 December 2010 the Group has changed its method of accounting for joint ventures to equity accounting, (note 4).

Impairment of CGMR JV

For the year ended 31 December 2010 the Group has made an impairment of USD 50.0 million to the investment in the CGMR JV to write it down to a carrying value of USD nil of which USD 14.2 million was recorded in the period ended 30 June 2010. The USD 50.0 million consists of a USD 48.8 million impairment against the investment in the joint venture and USD 1.2 million impairment of loans receivable from the joint venture partner.

Mining operations continue to be halted by the mining authorities in Anhui province, for reasons which primarily concern the continued delay in consolidating the mines situated on the CGMR licence. The arbitration claim from the original vendors of the XNS mine and Sudan processing plant regarding the timing for payment of deferred consideration of approximately USD 18.0 million (translated at 31 December 2010) remains unresolved, with an initial hearing date set for April 2011. While London Mining is in negotiations with the vendor regarding the arbitration, the outcome is uncertain.

In January 2011 the operator of the other two pits on the CGMR JV licence, Maanshan Binyong Mining Co. Ltd ("Binyong"), won a court case which ruled that integration of CGMR's XNS pit with the two Binyong pits should be enforced whereby Binyong would receive 60% of the equity in an enlarged XNS for no cash consideration. CGMR has appealed this ruling as Chinese legal counsel, based on the evidence available, believes there is no legal basis for the claim (note 23).

The ongoing legal claims and production stoppages have resulted in a prolonged delay to the fund raising process to acquire and consolidate the neighbouring pits which was the investment basis of the Group's interest in the CGMR JV. As a result the Directors have determined that until such time there is more certainty around the legal status of the integrated CGMR JV licence and the required funding process the recoverable amount of the investment should be written down to USD nil.

London Mining is investigating bringing in a Chinese partner to operate the mine in return for equity in the business, and it is in discussions with several parties regarding this approach. London Mining has no intention to commit material new funds to the CGMR JV joint venture, and is minimising the management time spent on this project.

Accounting for the CGMR JV following change in accounting policy and impairment

During the year ended 31 December 2010 the Group has changed its accounting policy to accounting for joint ventures using the equity method. As a result of this change and the impairment, the Group's consolidated balance sheet shows an investment in joint ventures and associates of USD nil for the year ended 2010, (2009: USD 49.5 million) in respect of the CGMR JV. The consolidated income statement shows a result (profit) from joint venture of USD 0.3 million, (2009 USD 3.6 million).

18. Joint ventures (continued)

The group's share of results of the CGMR JV

The Group's share of the CGMR JV results for the year ended 31 December 2010 include:

	Unaudited		
	Share of joint venture ¹ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Income statement			
Revenue	4,971	-	4,971
Cost of sales ²	(1,976)		(1,976)
Administrative expenses ²	(2,546)	-	(2,546)
Profit from operations, before London Mining management fee	449	-	449
London Mining management fee	(2,333)	3,562	1,229
EBITDA	(1,884)	3,562	1,678
Depreciation	(1,332)	(56)	(1,388)
(Loss) / profit from operations	(3,216)	3,506	290
Net finance income	(1,167)	1,117	(50)
Impairments	-	(48,799)	(48,799)
Loss before taxation	(4,383)	(44,176)	(48,559)
Taxation	(3)	14	11
Loss for the year	(4,386)	(44,162)	(48,548)

¹ Group's 50% share

² Excluding depreciation

18. Joint ventures (continued)

The Group's share of the CGMR JV results for the three months ended 31 December 2010 include:

	Unaudited		
	Share of joint venture ¹ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Income statement			
Administrative expenses ²	(583)	-	(583)
Profit from operations, before London Mining management fee	(583)	-	(583)
London Mining management fee	(567)	567	-
EBITDA	(1,150)	567	(583)
Depreciation	(249)	-	(249)
(Loss) / profit from operations	(1,399)	567	(832)
Net finance income	(303)	284	(19)
Impairments	-	(35,822)	(35,822)
Loss before taxation	(1,702)	(34,971)	(36,673)
Taxation	137	-	137
Loss for the three months	(1,565)	(34,971)	(36,536)

¹ Group's 50% share

² Excluding depreciation

18. Joint ventures (continued)

The audited Group's share of the CGMR JV results for the year ended 31 December 2009, since acquisition include:

	Unaudited		
	Share of joint venture ¹ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Income statement			
Revenue	8,878	-	8,878
Cost of sales ²	(4,318)	-	(4,318)
Administrative expenses	(938)	-	(938)
Profit from operations, before London Mining management fee	3,622	-	3,622
London Mining management fee	(2,025)	4,355	2,330
EBITDA	1,597	4,355	5,952
Depreciation	(1,898)	(161)	(2,059)
(Loss) / profit from operations	(301)	4,194	3,893
Net finance income	(682)	751	69
(Loss) / profit before taxation	(983)	4,945	3,962
Taxation	(442)	40	(402)
(Loss) / profit for year since acquisition	(1,425)	4,985	3,560

¹ Group's 50% share

² Excluding depreciation

18. Joint ventures (continued)

The group's share of the CGMR JV results for the three months ended 31 December 2009 include:

	Unaudited		
	Share of joint venture ¹ \$'000	London Mining plc \$'000	Total profit attributable to Chinese operations \$'000
Income statement			
Revenue	2,945	-	2,945
Cost of sales ²	(1,780)	-	(1,780)
Administrative expenses	(147)	-	(147)
Profit from operations, before London Mining management fee	1,018	-	1,018
London Mining management fee	(541)	1,387	846
EBITDA	477	1,387	1,864
Depreciation	(826)	(55)	(881)
(Loss) / profit from operations	(349)	1,332	983
Net finance income	(271)	276	5
(Loss) / profit before taxation	(620)	1,608	988
Taxation	(397)	14	(383)
(Loss) / profit for the three months	(1,017)	1,622	605

¹ Group's 50% share since acquisition.

² Excluding depreciation

(B) Investment in Chile Joint Venture

On 30 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. At the date of acquisition, Atacama, through its Chilean subsidiary, British Mining Resources Corporation Ltda, ("British Mining") held 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 was recognised as goodwill within intangible assets on acquisition with the fair value of assets acquired being assessed as having USD nil value.

London Mining has also made available additional loans 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 31 December 2010 a total of USD 6.5 million of loans had been drawn down by British Mining, and fully impaired.

18. Joint ventures (*continued*)

Impairment

Prior to year end, London Mining's investment in the Joint Venture was USD 11.2 million (net of exploration costs expensed during the year) of which USD 5.0 million was recorded as goodwill and USD 6.2 million was shown as a long term receivable. In accordance with International Financial Reporting Standards, London Mining has written down the goodwill recognised at the date of the agreement to USD nil and has made full provision against the long term receivables. The provision is required because the portfolio of iron ore concessions and logistics opportunities being considered by Atacama has changed since the date of London Mining's initial investment into the venture. In accordance with accounting standards, the initial investment of USD 11.2 million is not able to be reassigned to new exploration and port concession opportunities now being evaluated or obtained. The provision made against the receivable would be reversed when either new cash is invested into the venture or the venture has a defined resource or reaches production from one of the many new opportunities it is currently negotiating.

The joint venture has received interest from a number of parties for a potential off-take from concessions being explored in and around this area based on initial sample specifications taken and is currently in negotiations for a possible strategic investor in to the project. Atacama is also actively exploring a number of new opportunities that could secure alternative options over iron ore concessions that are of great interest to the Chinese strategic investors. Atacama has also recently secured an option over port access rights within a short distance of this region and is considering potential for establishing near-term production.

Group's share of results for the Chile joint venture

As at 31 December 2010 Atacama had net liabilities of USD 1.0 million and in the period since acquisition had recorded a loss of USD 1.0 million (on a 100% basis, which includes the exploration write-off of USD 0.8 million following drilling results on a particular concession).

19. Acquisition of subsidiary

On 30 March 2010, London Mining announced the acquisition of the remaining 80% issued share capital of ICC (now 'London Mining (Colombia) Limited') 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. London Mining (Colombia) Limited ("London Mining Colombia") is a Cayman Islands incorporated company with operations in Colombia, South America. London Mining Colombia'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 final proforma assets acquired and fair value adjustments are presented below:

19. Acquisition of subsidiary (continued)

		Unaudited		
	Note	Book value \$'000	Provisional fair value adjustments \$'000	Fair value of assets at acquisition \$'000
Net assets acquired:				
Goodwill ¹		-	39,695	39,695
Other intangible assets: Mineral resources	12	1,723	-	1,723
Property, plant and equipment	13	760	-	760
Current receivables		6	-	6
Cash		439	-	439
Current liabilities		(141)	-	(141)
Loan payable to London Mining plc		(2,567)	-	(2,567)
		220	39,695	39,915
Satisfied by:				
Share of associate	14			4,160
Cash consideration paid at acquisition date				5,500
Share consideration paid at acquisition date ²				12,011
Deferred consideration ³				18,244
				39,915
Net cash outflow arising on acquisition				
Cash consideration				5,500
Less: cash and cash equivalents acquired				(439)
				5,061

Total consideration paid for 100% of ICC was USD 39.9 million. Assets acquired were USD 0.2 million with goodwill on acquisition recognised of USD 39.7 million and included in intangible assets. The goodwill is not expected to be deductible for tax purposes.

¹The 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.

²The fair value of the 3,500,000 ordinary shares issued as part of the consideration paid for ICC of USD 12.0 million, 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.

³The 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 18.2 million comprises USD 5.0 million cash consideration, discounted to net present value and USD 13.2 million 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.

⁴The 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.

19. Acquisition of subsidiary (*continued*)

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 31 December 2010 there has been no change to probabilities. Deferred equity consideration has increased in value as a result of the increase in London Mining plc's share price since the acquisition of GBP 2.26 to GBP 3.15 at 31 December 2010. This resulted in a cumulative USD 5.6 million fair value loss which has been recorded in the income statement. This fair value loss, together with the USD 0.5 million increase in the deferred consideration as a result of the unwinding of the discount has resulted in the deferred consideration liability increasing from USD 18.2 million at acquisition to USD 24.3 million at 31 December 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 31 December 2010. The fair value of the contingent cash consideration arrangement of USD 5.0 million was estimated by discounting the expected future payments using a 3.85% discount rate.

Acquisition related costs included in the administrative expenses in London Mining plc's consolidated income statement for the year ended 31 December 2010 amounted to USD 193,000 (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) London Mining Colombia performance

London Mining Colombia contributed a loss of USD 2.6 million to the Group's loss for the year to 31 December 2010, including a USD 0.3 million Group's share of the loss of an associate (net of tax). If the acquisition 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 1.3 million to USD 100.9 million.

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.

20. Notes to the cash flow statement

	Unaudited	
	2010	Restated
	\$'000	2009
		\$'000
(a) Reconciliation of the loss for the year to cash outflows from operating activities		
Loss for the year	(99,578)	(34,395)
Adjusted for:		
Share of results from joint ventures and associates	1,006	(3,437)
Fair value loss on deferred consideration	5,565	-
Impairments and exploration write down	61,657	6,000
Loss on disposal of a subsidiary	236	-
Depreciation and amortisation	982	764
Loss on sale of fixed assets	9	-
Finance income	(3,289)	(2,517)
Finance costs	3,267	1,864
Share-based payments expense	2,821	5,319
Tax credit – recognition of deferred tax asset	(1,258)	-
	(28,582)	(26,402)
Increase in non-current receivables	(1,074)	-
Decrease / (increase) in current receivables	327	(1,022)
Increase in inventories	-	(143)
(Decrease) / increase in payables	(387)	3,910
Cash outflow from operating activities	(29,716)	(23,657)

21. Related party transactions (unaudited)

At 31 December 2010 the Directors of the Group and their related parties, and entities in which they had a beneficial interest, controlled 6.4% (2009: 3.97%) 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.

On 30 March 2010, London Mining announced the acquisition of the remaining 80% issued share capital of ICC (now 'London Mining (Colombia) Limited') 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. G Hossie, the Chief Executive Officer of London Mining plc had a beneficial interest of 12% in ICC, and therefore received 15% of the consideration paid for the remaining 80% acquired. As a consequence of this interest, Mr Hossie does not represent London Mining on the London Mining Colombia board and does not participate in any decisions of the London Mining board in relation to London Mining Colombia. As at 31 December 2010, the Group recognises deferred contingent consideration due to former shareholders of ICC, including G Hossie, of USD 24.3 million. G Hossie, would receive 15% of the deferred consideration payable, which at 31 December 2010 totals USD 3.6 million.

On 30 July 2010 London Mining entered into a joint venture agreement with Chinese and Chilean based partner Atacama to explore iron ore opportunities in Chile. In consideration for the 50% share capital of Atacama, London

21. Related party transactions (unaudited) (continued)

Mining converted a previously outstanding convertible loan of USD 5.0 million. London Mining has also made available additional loans totalling USD 7.0 million to Atacama's subsidiary, 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. At December 2010 a total of USD 6.5 million of loans had been drawn down by British Mining.

22. Capital commitments (unaudited)

	2010	2009
	\$'000	\$'000
Commitments for the acquisition of intangible assets	578	1,561
Commitments for the acquisition of tangible assets	29,148	53
Total	29,726	1,614

The Group's share of the capital commitments of its jointly controlled operations is USD nil.

23. Events after the balance sheet date

Court ruling regarding CGMR JV licence

The operator of the other two pits on the CGMR JV licence, Binyong, has recently won a court case which ruled that integration of CGMR's XNS pit with the two Binyong pits should be enforced whereby Binyong would receive 60% of the equity in an enlarged XNS, the company which holds the CGMR JV mining licence. This would integrate all current pits on the licence into one operation without payments being made between the parties. London Mining and the CGMR JV received legal advice from Chinese counsel throughout the court process that based on the evidence available; there was no legal basis for the claim. The CGMR JV intends to appeal this ruling.

Off take agreement

On 26 January 2011 London Mining signed an offtake agreement with the trading house Glencore International AG ("Glencore"). The offtake will cover 9.5 million wet metric tonne production from Phase 1a of the Company's Marampa project. The five year agreement, which includes a pre-payment facility for up to USD 27.0 million, will provide guaranteed offtake and shipping from Sierra Leone for all Phase 1a production, with the option for London Mining to expand the agreement to Phase 1b on the same terms. The offtake will be priced at around Platts 62% CFR China benchmark, with an upward adjustment for the iron content of the Company's 65% iron sinter feed concentrate, and an incentive to place product at locations such as Europe where there is a net pricing benefit through lower shipping costs. The offtake accommodates London Mining's ramp up expectations and is flexible to accommodate varying shipping sizes and frequencies to supply European, Chinese and other markets.

23. Events after the balance sheet date (*continued*)

Funding

On 17 February 2011 the Company received the proceeds of a USD 110.0 million, (net of costs) offering of unsecured convertible bonds, repayable in 2016. The bonds carry a coupon of 8% per annum, payable semi-annually in arrears and will be convertible into London Mining plc shares at a conversion price of GBP 4.84 per share, representing a 38% premium to the average market price on the date of offering. 100% of their principle amount unless previously converted, redeemed or purchased and cancelled, will be redeemed on maturity. London Mining has the right to redeem all outstanding bonds at par together with accrued interest from three years after the closing date at any time as long as the share price exceeds 130% of the conversion price for more than 20 out of 30 consecutive trading days or, if 15% or less of the bonds remain outstanding. The Bonds have been issued by the Company's, newly incorporated, wholly-owned subsidiary London Mining (Jersey) Plc and will be guaranteed by the Company. If the convertible bond is fully converted into shares, it would result in the issue of London Mining ordinary shares representing 12% of the share capital as at 31 December 2010.

24. Contingent liabilities

As part of the Mining Lease Agreement between London Mining and the Government of Sierra Leone London Mining has entered into a Performance Bond in the form of a letter of credit of USD 1,000,000 which shall be encashed if London Mining fails to make substantial progress towards the re-opening of the Marampa. The Directors current expectation is that the Performance Bond will not be encashed.

As part of the acquisition of its Chinese joint venture described in note 18, 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 for the year ended 31 December 2010 based on the Directors current expectation that the likelihood of the vendor being entitled to a material balance is remote.

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.

The Company considers no UK tax to be payable on the USD 664.2 million profit arising on the disposal of the Brazilian operations in 2008 since it is anticipated the sale will qualify for the UK substantial shareholdings exemption.