London Mining Plc Annual Report 2012

London Mining

Annual Report 2012

Supplying high quality iron ore to the global steel industry

Highlights

Operational

Production
Marampa, Sierra Leone
We have had an excellent first year of production at Marampa, beating the full year production target of 1.5Mt that was set in January 2012.

Expansion
Marampa, Sierra Leone
A second processing plant has now been commissioned and, combined with further upgrades, a run rate of 5Mtpa is expected to be achieved by the end of 2013.

Development
Marampa, Sierra Leone
Marampa has a resource of over 1 billion tonnes with potential to support a staged expansion to over 16Mtpa of production.

Feasibility
Isua, Greenland
The Isua project has a resource base of over 1.1 billion tonnes and has potential to produce over 15Mtpa of high specification pellet feed.

Financial

92.7
USD million
Cash at 31 December 2012

120.6
USD million
Marampa revenue

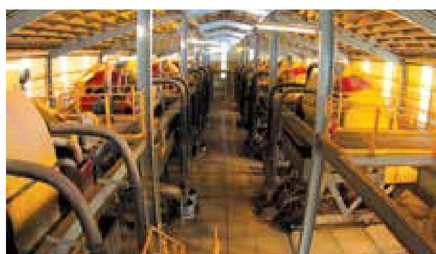
20.4
USD million
EBITDA profit contribution from Marampa (2011 loss of USD 12.8 million)

247.7
USD million
Net cash flows from financing activities

66.3
USD million
Net provision on Colombian assets following strategic review

Welcome

We are a **fast-growing new supplier of iron ore to the global steel industry.** In this report we will explain how our business has progressed over 2012, our strategy and how we are performing against our strategic objectives. We also show what makes us different and most importantly, how we are delivering on our promises.



Overview

A brief look at our business, our strategy and our markets.

Chairman's statement 04
Group overview 06
A year in review 08
How we deliver value for our shareholders 10
Our business model 11
Chief Executive's strategic review 12
Key performance indicators 15
Our markets 16

Performance

Operational performance, financial review, and a review of our corporate sustainability and risk management.

Focus on Marampa 22
Operational review 24
– Marampa, Sierra Leone 24
– Isua, Greenland 30
– Other projects 31
Financial review 32
Sustainability 37
Principal risks and uncertainties 44

Governance

An explanation of our approach to corporate governance and remuneration policies with key developments during the year, together with profiles of our Board of Directors and executive leadership team.

Board of Directors 52
Executive leadership team 54
Corporate governance report 56
Directors' remuneration report 65
Directors' report 73
Statement of Directors' responsibilities 75

Financial Statements

Detailed financial information for the year ended 31 December 2012.

Independent auditor's report to the members of London Mining Plc 78
Consolidated income statement 80
Consolidated statement of comprehensive income 80
Consolidated balance sheet 81
Consolidated statement of changes in equity 82
Consolidated cash flow statement 83
Notes to the consolidated financial statements 84
Company balance sheet 113
Company statement of changes in equity 114
Company cash flow statement 115
Notes to the Company financial statements 116
Glossary 118
Officers and professional advisers 120

For further information about London Mining please visit our new website at: www.londonmining.com

Overview

A brief look at our business

Marampa

The first Marampa plant commenced production in December 2011, the second duplicate plant was commissioned in February 2012.

>300%

5Mtpa

(>300% increase in production capacity expected in 2013)

Chairman's statement

2012 was a breakthrough year for London Mining as we moved from a developer to a producer.

In 2012 we exceeded our production target for the first year of mining operations at Marampa and established a foundation to deliver production growth and cost efficiencies to underpin a long term profitable and sustainable mine.

Our management team, in delivering its grade, volume and production growth plans at Marampa, has put in place the important elements of long term value creation and set up 2013 and thereafter to be years of robust operational performance. Implementation of near term production growth, which is on track for the 5Mtpa operation, and managing our costs lower on the cost curve will ensure profitability throughout the iron ore price cycle.

Developing our core business and key assets

The Marampa mine in Sierra Leone has over the past few years gone from strength to strength and is recognised as the flagship asset in London Mining. Considerable potential remains for high return investment in Marampa, and we continue to look at ways to optimise that.

Mining of tailings at Marampa. 4.4Mt of tailings and highly weathered ore was mined in 2012.

Following a review of our business in Colombia and based on certain operational issues in the light of continued weakness in the coke market and low margins available in the medium term, as well as competing investment opportunities in our Marampa operation that yield quick paybacks and high returns, we have taken the decision to put further Colombian investment on hold and have initiated an active programme to sell the business. As a consequence, we have reclassified the asset as "discontinued-available for sale" and have made a full provision against its carrying value at year end.

Weathering the challenging macroeconomic conditions for iron ore producers

The year brought challenging macroeconomic conditions driven by ongoing weakness in the European and US economies and the Chinese leadership transition. All these factors weighed heavily on steel and iron ore producer market values. The iron ore price exhibited considerable volatility and the investment community developed a strong risk-off mentality as sentiment moved away from commodity markets. We were well placed to face this challenging environment due to proactive and sound management decisions, including our hedging programme of approximately one third of 2012 production at an average price of USD 148/t CFR, a USD 87.3 million net equity raise completed in January and the innovative USD 108.9 million net royalty financing arrangement with BlackRock World Mining in August.

108.9

USD million

net royalty financing arrangement with BlackRock World Mining

In 2013 we plan to establish London Mining as a supplier of choice to the global steel industry.

Focusing on safety

The excellent performance at the Marampa operation was overshadowed by an accident in December which led to the first fatality in over seven years of London Mining operations and development activities. We were deeply saddened by this news and extend our sincere condolences to the family and friends of the individual concerned. London Mining has completed a full review of safety procedures and remains committed to the safety of all its employees, contractors and host communities. Safety is the Company's highest priority, as Marampa continues to expand production.

Board changes

In response to investor advice and having in mind a main board listing at the appropriate time, we have strengthened our Board with the appointment of two new Non-Executives, Michael Miles OBE, and Alan Ferguson.

Michael Miles succeeds me as independent Non-Executive Chairman of the Board, commencing in Q1 2013. Michael brings extensive and varied global business and FTSE 100 board governance experience to the London Mining Board. He was until recently Chairman of Schroders and previously Chairman of Johnson Matthey Plc. He has served on the boards of BP (including as Chairman of its pension trustees), China Britain Trade Group, Hong Kong Association, Balfour Beatty and Portals. Through his former chairmanships and earlier career with the Swire Group and as Chief Executive and later Chairman of Cathay Pacific, Michael has worldwide business expertise and particularly strong experience in the Far East and China – the most important market for iron ore and a key part of London Mining's long term customer and partnering strategy.

Alan Ferguson will chair the audit committee. Alan is a chartered accountant, currently a Non-Executive Director on the Boards of Weir Group Plc, Croda International Plc and Johnson Matthey Plc, and has held the position of Finance Director with Lonmin Plc, BOC Group Plc and Inchcape Plc.

Alan replaces Graham Mascall, who has retired from the London Mining Board after three years to focus on other business interests. We are grateful to Graham for his contribution during this time and wish him well in the future.

Reflections on my eight year tenure as Chairman

I will be retiring from the Board at the Annual General Meeting on 22 May 2013 and will not be seeking re-election. It has been a tremendous pleasure for me to have been part of the development of London Mining over its first eight years, culminating in our bringing Marampa to successful production. I am proud to know that in that achievement London Mining has brought substantial benefits in terms of employment and contribution to the economy in our host country Sierra Leone.

Over the years, through the numerous challenges as well as key successes of its operations in Brazil and Marampa, I have noted the management's ability to identify, develop and realise opportunities. Part of this success has been due to the technical and commercial strengths of the team built up under Graeme Hossie's leadership, and those strengths are well recognised within the mining and investment community.

Dr. Colin Knight
Chairman

Trucking of concentrate along Marampa's 40km haul road.

Group overview

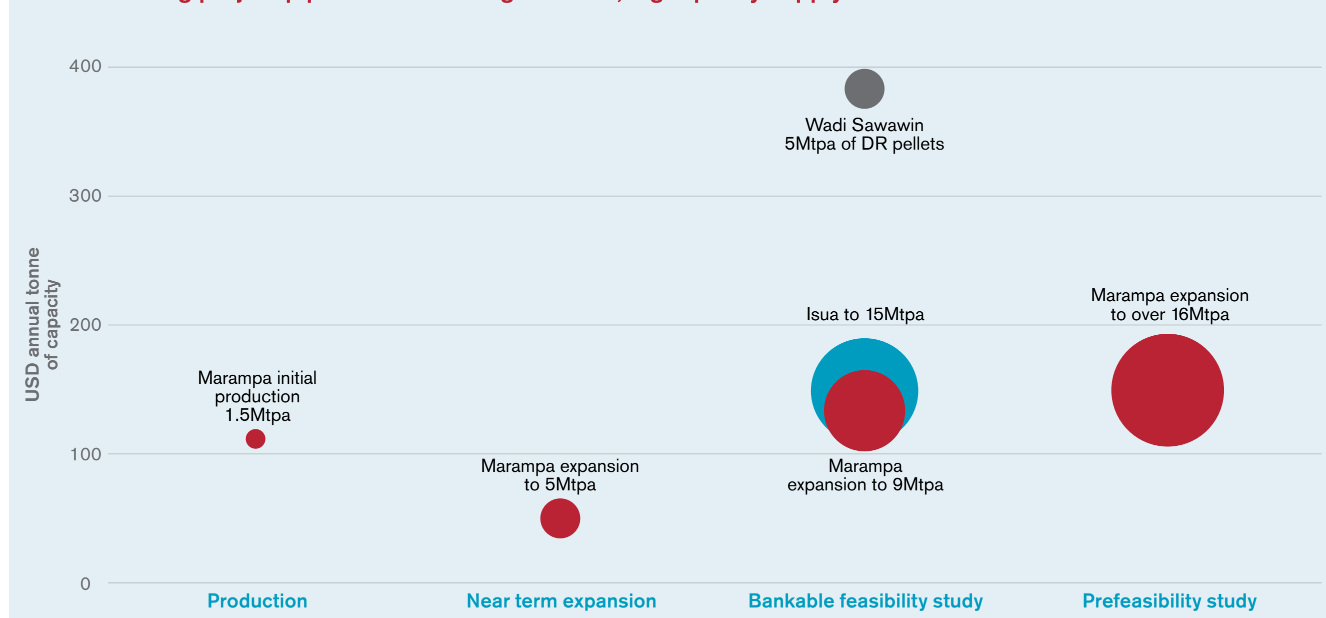
We are developing three iron ore mines in Sierra Leone, Greenland and Saudi Arabia. Production and export have now commenced from Sierra Leone.

Marampa production

1.5Mtpa
Marampa produced over 1.5Mt of high quality iron ore sinter concentrate in 2012 from a combination of tailings from previous operations and highly weathered primary ore. The operation is being expanded to produce 5Mtpa of sinter concentrates from a blend of tailings from previous operations and soft highly weathered ore.

Marampa expansion

5Mtpa
A second processing plant has now been commissioned resulting in 3.6Mtpa installed capacity with further upgrades including a gravity circuit and increased crushing and grinding capacity expected to result in a run rate of 5Mtpa by the end of 2013. The current 5Mtpa base case production plan assumes further investment to enable the 5Mtpa plant to process all ore types following the exhaustion of the tailings resource in 2017. This would extend the mine life to over 30 years.



Marampa development

>16Mtpa
We have also undertaken work to better understand different scenarios that make optimal use of the 1 billion tonne resource at Marampa, completing a bankable feasibility study for an expansion to 9Mtpa in 2012. The Marampa resource could support an operation of >16Mtpa as determined by a prefeasibility study completed in April 2011.

Other projects

Isua
Located 150km north-east of Nuuk and 110km from a proposed deep seawater port, Isua will produce a premium quality 70% Fe pellet feed concentrate with low impurities. It benefits from its position in the warmer south-west corner of Greenland which allows for year round shipping. A bankable feasibility study was completed in 2012 for a 15Mtpa operation based on a resource of over 1.1 billion tonnes.

Wadi Sawawin
The Wadi Sawawin Project is located in the Northern Hijaz region of the Kingdom of Saudi Arabia approximately 125km from Tabuk and 60km from the Red Sea port of Duba. A bankable feasibility study has been completed for a 5Mtpa mine, pellet plant and port. 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.

Summary of London Mining assets

Location:	Marampa, Sierra Leone	Isua, Greenland	Wadi Sawawin, Saudi Arabia
Ownership:	100%	100%	Right to a free carried interest of 25%
Distance from port:	40km	110km	60km
Product:	Iron ore – sinter concentrate	Iron ore – pellet feed	Iron ore – direct reduction pellets
Indicated Resource:	864Mt at 32% Fe	380Mt at 33% Fe	248Mt at 40% Fe
Inferred Resource:	208Mt at 31% Fe	727Mt at 32% Fe	134Mt at 39% Fe
Total attributable Resource:	1,072Mt at 31% Fe	1,107Mt at 32% Fe	96Mt at 40% Fe

A year in review

We have had an excellent first year of production at Marampa, beating the full year production target we set in January 2012.

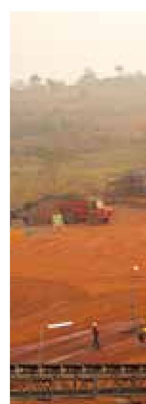
March
Marampa Mining Licence Agreement revision concluded.

May
Run rate in excess of 1.5Mtpa nameplate achieved at Marampa.

1.5Mtpa
RUN RATE

January
USD 87.3 million net raised by issuance of 23 million new ordinary shares issued to fund accelerated delivery of 5Mtpa plan.

87.3M
USD RAISED



January
First shipment of Marampa concentrate.

March
USD 53.4 million net raised through Vitol offtake.

53.4M
USD RAISED

March
Bankable feasibility study completed for 15Mtpa operation at Isua, Greenland.

September

Milestone of 1Mt of iron ore concentrate produced by London Mining at Marampa.

August

USD 108.9 million net royalty agreement completed with BlackRock World Mining Trust.

108.9M USD

December

2012 production target of 1.5Mt exceeded at USD 77/t operating costs, per previous guidance.

November

BFS for Marampa expansion to 9Mtpa completed identifying maximum expansion assuming existing logistics. Work commences on capital expenditure optimisation.

How we deliver value for our shareholders

Our vision is to be a significant mining company delivering best in class value and performance to all stakeholders.

We achieve this by developing mining opportunities rapidly, sustainably and responsibly to provide consistent quality raw materials to the global steel industry.

By having a clear vision and goal

Our vision

Our vision is to be a significant mining company delivering best in class value and performance to all stakeholders.

Our goal

Our goal is to become a 'Top 10 supplier to the global steel industry' by 2020.

By setting clear strategic priorities

Our strategy

We will deliver this vision through developing and maintaining our core strategic competencies.

1. Operational excellence

Operational excellence focuses on the day to day activities that make our business successful. The safety of our employees is our top priority and we plan to achieve zero harm in our future operations. Operational excellence is also demonstrated through the achievement of near term production plans through the realisation of operational stability with associated gains in mining and plant efficiencies and delivery of effective, reliable logistics solutions within budget and with the prospect of ongoing operating efficiencies and cost savings.

2. Strong growth pipeline

London Mining has a track record in identifying and developing iron ore opportunities. Any future investment needs to be made in context of the extremely high return of potential for low cost incremental production growth at Marampa, must meet our investment criteria framework and allow us to achieve our cash allocation priorities. Our longer term focus is on opportunities which we understand well and have competitive advantage, namely the Marampa expansion to over 16Mtpa and Isua which have viable logistics, resource quality and potential to deliver sustainable margins.

3. Strategic partnerships and funding

To finance robust sustainable production it is necessary to secure funding through a variety of sources with the clear objective of minimising dilution for shareholders whilst maximising the value of assets. This can be achieved through the use of debt, offtake related financing agreements and potentially through strategic partnerships.

4. High performance culture and people

In order to deliver our plan for the business it is important to attract, develop and retain talented people and develop strong team capabilities in the various aspects of our business. A high performance culture is underpinned by providing clear roles and accountability and encouraging high performance behaviours.

5. Financial performance

The overriding objective of our business is to provide sustainable returns to shareholders by: delivering sustainable operations with strong, long term margins based on product quality, low costs and high performance. Focus on financial discipline through allocation of ownership and accountability throughout the organisation as well as through accurate and timely operating and capital budgeting, forecasting and reporting. Utilising all areas of financing potential to optimise access to and cost of capital.

By our values

At London Mining we have a clear strategy to grow value for all stakeholders – from delivering good financial returns to improving the lives of our communities, from keeping our employees safe and healthy to responsibly contributing to the countries in which we operate. Our disciplined approach to developing our assets has enabled us to plan for the expansion and further development of our assets.

To deliver our goals we:

- treat each other with mutual Trust and Respect
- are committed to a Safe Working Environment
- foster a culture of Accountability
- Empower our people and foster Teamwork
- deliver Quality Results Quickly
- encourage Innovation and a Solution-Driven approach
- are committed to a Positive Impact for the community
- operate with Integrity

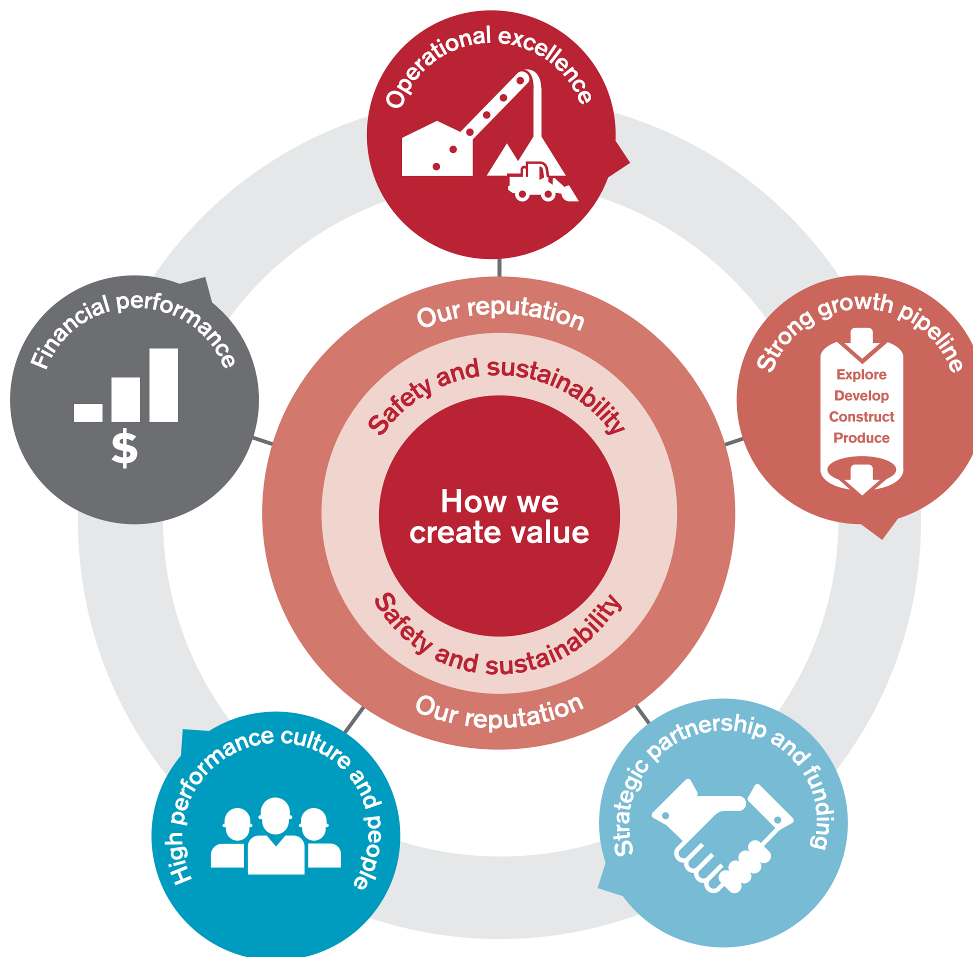
By operating safely and sustainably

We are committed to the health and safety of our people, the environment and the communities in which we operate.

By protecting and building London Mining's reputation

Our reputation in the industry is integral to our success as a company. We uphold this by having sound governance practice, compliant and transparent reporting and positive stakeholder engagement.

Our business model



Operational excellence

We maintain operational excellence through business optimisation, stability, reliability, knowledge and high quality in everything we do.

Strong growth pipeline

The expansion of our existing assets as well as new opportunities help us to build a sustainable business and reputation.

Strategic partnerships and funding

Strategic partnerships and funding enable us to generate growth through multiple sources and projects.

High performance culture and people

Our people culture is underpinned by communication, talent development, compliance, valuing excellence and strong governance.

Financial performance

Sustainable financial performance is achieved by providing sustainable returns to shareholders, the quality of reports, accountability and ownership throughout the organisation.

Near term (three year) cash allocation priorities and project investment criteria

Cash allocation priorities (next three years)

- Near term capex programme (expansion to 5Mtpa and operating cost optimisations)
- Extension of mine life and high return incremental expansions
- Reducing net debt

Longer term cash allocation

- Dividend or share buyback
- Further investment opportunities

Investment criteria

- Minimum IRR of over 20%
- Payback of less than four years
- Proportionate to market capitalisation

Chief Executive's strategic review

We are excited about the future and look forward to continuing to execute our strategy and grow the business.

Over the past few years, London Mining's work at Marampa in Sierra Leone has resulted in the rebirth of the Marampa mine and the reintroduction of Sierra Leone as an important international source of iron ore.

The associated positive impact of our activity on the local and wider Sierra Leonean economy is significant, including London Mining's contribution to the country's 2012 GDP growth of over 20%, our employment and training of over 1,000 Sierra Leoneans and the expected follow-on impact of helping to bring over 50,000 people out of poverty through our investment and activity. Our focus on delivering sustainable and profitable operations is paramount and we are proud of our approach which considers and values the needs of all stakeholders.

In 2012 we demonstrated that we have established a solid foundation at Marampa with a strong future. High grade iron ore was produced and shipped throughout the year, production targets were met and intensive construction activity on the expansion to 5Mtpa in 2013 is on target. Building on this foundation is our near term focus.

2012 was the first full year of operations for London Mining at Marampa. It involved mining over 4.8Mt of material, producing 1.6Mt of concentrate, shipping 1.2Mt via over 200 loaded barge journeys and 24 ocean going supramax ships. The wet season, with over 1,500mm of rain in six months, brought its own challenges in water management. Refinements and preparations to run smoothly during the wet months in 2013 have been implemented.

Throughout the full year, however, regular shipments of premium quality iron ore concentrate were maintained. The management team has incorporated first year learnings into a focus on productivity and stability of operations as we move into our second year at Marampa, where production will more than double, costs per tonne will decrease and significant positive operating cash flow will begin.

2012 was also a year of shifting global investment sentiment, commodity price volatility, changing financial market appetite for capital projects and the emergence of a nearer term vs longer term value focus. In addition to building operating robustness at Marampa, we have looked to consolidate and prioritise our resources and focus our activities and projects. A strategic and business review of our Colombian operations and consideration of the highest value uses of cash has led us to prioritise our focus and resources on delivering near term expansion and cost reduction goals at Marampa and to exit our early stage operation in Colombia. High return investment in building volume and reducing costs in current operations in Marampa will deliver the biggest impact on shareholder value by building significant sustainable cash flow quickly.

With an ever keener focus on cash flow and returns on investment to generate shareholder value, our near term investment priorities are to complete a robust 5Mtpa operation with operating cost optimisations to deliver below USD 50/t; to extend mine life at Marampa by adding milling capability to allow the processing of all ore types found at Marampa after the initial tailings resource has been mined; and to implement incremental production expansions and cost reductions which deliver high internal rates of return (IRRs). From the associated growing cash flows produced, we will look to first reduce net debt and in the longer term deliver returns back to investors (through dividends or share buy-backs) and value accretive growth when appropriate. Internal capital discipline requires new projects or expansions to meet stringent investment return criteria, including the ability to generate an equity internal rate of return of >20% with a payback of less than four years, to be accretive to shareholder value and to have an investment size sensibly proportionate to market capitalisation.

Near term (three year) cash allocation priorities and project investment criteria.

Cash allocation priorities (next three years)

- Near term capex program (expansion to 5Mtpa and operating cost optimisations)
- Extension of mine life and high return incremental expansions
- Reducing net debt

Longer term cash allocation

- Dividend or share buyback
- Further investment opportunities

Investment criteria

- Minimum IRR of over 20%
- Payback of less than four years
- Proportionate to market capitalisation

The overriding priority in all our activities is the health and well-being of our employees and although the Lost Time Injury Frequency Rate declined over 2012, an incident in December led to the fatality of one of our contractors. A full investigation has been carried out and measures to improve the safety performance of our operations have been implemented.

Succeeding through challenging macroeconomic conditions

2012 provided a number of challenges for the iron ore sector due to the overwhelmingly bearish outlook for both the global economy and steel producers held by market commentators. Elections and leadership transitions in the US and China, coupled with ongoing economic uncertainty for the main global economies, caused huge volatility in the iron ore price in a period of high funding risk for junior mining companies. The short term negative impact on market value of the iron ore sector was significant, particularly for companies without significant cash flow or cash reserves or who were considered still to have significant implementation risk. At London Mining, however, we were able to proceed through this period – continuing our development capital expenditure plans and meeting our production targets thanks to proactive measures to maintain a robust balance sheet. These measures included hedging one third or 513,000t of our first year's production at an average of USD 148/t and completing financings including a USD 87.3 million net equity raise at the beginning of the year, a USD 55 million offtake related prepayment loan with Vitol and an innovative USD 108.9 million net royalty agreement with BlackRock, already a significant shareholder. The royalty agreement in particular was possible because of our track record of delivery, combined with the significant de-risking of Marampa by demonstrating the efficacy of our production and logistics as well as the demand for our premium quality product from the beginning of the year.

Looking ahead, 2013 will be a time of significant further investment in Marampa as we look to more than double our production capacity. We have hedged a portion of sales volumes to mitigate downside pricing risk to margins while ramping up to 5Mtpa. An ongoing hedging strategy to mitigate downside pricing risk in accordance with the new corporate debt facility is being pursued.

Making the right kind of impact in Sierra Leone

2012 also featured a general election in Sierra Leone which passed peacefully and without incident and saw His Excellency Ernest Bai Koroma returned as President. As a responsible and transparent investor in Sierra Leone, we continue to work with the Government of Sierra Leone to ensure a stable fiscal environment and strong, transparent relations to allow Marampa to realise its full potential for all stakeholders. A detailed mining licence and fiscal review was completed during the year and reaffirmed by parliament, providing clarity of the fiscal regime for our investment in Sierra Leone for 10 years, which provides a platform to allow us to capitalise fully on the resource increases and expansion of production plans.

We have joined the Extractive Industries Transparency Initiative (EITI) to ensure the full benefits of our fiscal contribution to the country are recognised. Where possible we are engaging multiple stakeholders to address local issues and this has allowed London Mining to avoid many of the pitfalls other companies have encountered operating in developing economies. London Mining has become a significant contributor to the Sierra Leone economy, making a contribution of USD 10.8 million in royalties, taxes and fees in 2012 whilst providing employment and training for over 1,000 Sierra Leoneans. Our Marampa mine has been held up as an example of a successful operation built on forward looking equitable relationships with local communities and government. We are committed to Sierra Leone over the long term and have established a strong foundation on which to build. We see a focus on government and community relations, through close monitoring and management of our social and environmental impact as a core competence and long term competitive advantage for London Mining.

Rationalising assets

When London Mining came to AIM in November 2009, resources at Marampa comprised only an undefined 38Mt of tailings and a portfolio of other opportunities focusing on assets with low capex routes to early cash flow where exploration could provide further staged expansion upside. Three years on, the major exploration and development success at Marampa sees us having delivered 1.5Mt in our first year of operation and we are now building to a production level over three times the original 1.5Mtpa plan. In addition, bankable feasibility studies have been completed for further expansion at Marampa, Isua and Wadi Sawawin. As a result we have a very clear idea of the value generation potential and next steps for our iron ore business. The smaller scale nature of the Colombian coke operation, its further near term investment needs, along with the current weakness in the export market for coke and the prioritisation of Group cash to Marampa has led us to take the decision to place the Colombian operation into care and maintenance. We have made a USD 66.3 million net provision against this asset in the light of the current depressed coke market and continued operational challenges and have initiated a programme to sell the business. The coke ovens are located in an area of significant coking coal resource potential with opportunities to access the coke export market.

Next steps

The significant body of work completed in 2012 has provided us with important insights on how to take London Mining forward. 2013 will see us focusing our resources on establishing a first class operation at Marampa, finding strategic investors to unlock value in our larger development projects and delivering shareholder value through significant near term funded production growth, cost optimisations and growing cash flows.

Graeme Hossie
Chief Executive Officer

Chief Executive's strategic review
continued

Developing our core strategic competencies
London Mining's vision is to become a significant global mining company delivering best in class value and performance to all stakeholders. We will deliver this vision through developing and maintaining our core strategic competencies.

Operational excellence
We focus on the day to day activities that make our business successful. The safety of our employees is our top priority and we plan to achieve zero harm in our future operations. We also demonstrate operational excellence through the achievement of near term production plans, the realisation of operational stability with associated gains in mining and plant efficiencies, and the delivery of effective, reliable logistics solutions within budget and with the prospect of ongoing operating efficiencies and cost savings.

Delivery in 2012
- Achieved full year production target of 1.5Mdmt
- On track with 2013 expansion to 5Mtpa
- Plant performing in excess of nameplate capacity of 1.5Mtpa
- Premium product specification achieved
- New mining contractor appointed
- Continuous operations through wet season

Looking forward
- Improved health and safety performance
- Complete expansion to 5Mtpa and associated reduction of operating cost to USD 50/t
- Complete upgraded logistics, including increased barging and transhipment capacity
- Identify and implement further cost saving initiatives

Strong growth pipeline
We have a track record in identifying and developing iron ore opportunities. Any future investment needs to be made in the context of the potential for high return, low cost incremental production growth at Marampa, and must meet our investment criteria framework and allow us to achieve our cash allocation priorities. Longer term our focus is on opportunities which we understand well and where we have competitive advantage – notably the Marampa expansion to over 16Mtpa and Isua both which have viable logistics, resource quality and potential to deliver sustainable margins.

Delivery in 2012
- Completion of bankable feasibility study (BFS) for 15Mtpa operation at Isua
- Completion of BFS for expansion to 9Mtpa operation using existing logistics at Marampa and further value engineering activity

Looking forward
- Identify high return incremental expansions of existing operation at Marampa
- Optimise opex and capex for Marampa expansion
- Carry out further work on ultimate expansion of Marampa, including possible multi-user deepwater port

Strategic partnerships and funding
To finance robust sustainable production we secure funding through a variety of sources with the clear objective of minimising dilution for shareholders while maximising the value of assets. This can be achieved through the use of debt, offtake-related financing agreements and potentially through strategic partnerships.

Delivery in 2012
- USD 87.3 million net proceeds from equity raise
- USD 55.0 million offtake related facility with Vitol
- USD 108.9 million royalty from BlackRock

Post year end
- Restructured secured corporate debt facility USD 165 million

Looking forward
- Strategic partnerships to unlock value in larger development projects
- Third tranche of offtake from expanded 5Mtpa operation at Marampa

High performance culture and people
In order to deliver our plan for the business it is important to attract, develop and retain talented people and develop strong team capabilities in the various aspects of our business. Our high performance culture is underpinned by providing clear roles and accountability and encouraging high performance behaviours.

Delivery in 2012
- 1,086 Sierra Leoneans trained at Marampa
- Strong Sierra Leone in-country management team established
- Executive leadership team strengthened

Looking forward
- Put industry leading talent to work on continuously improving our business
- Develop local capability and reduce expatriate labour over time

Financial performance
The overriding objective of our business is to provide sustainable returns to shareholders by delivering robust operations with strong long term margins based on production of low cost, high quality iron ore. We focus on financial discipline by allocating ownership and accountability throughout the organisation as well as through accurate and timely operating and capital budgeting, forecasting and reporting. We use all areas of financing potential to optimise access to and the cost of capital.

Delivery in 2012
- Stabilised operating costs at Marampa in first year of operation
- Maintained strong balance sheet and minimised dilution to shareholders
- Hedging programme successfully mitigated effects of pricing downturn in Q3 2012 for 1/3 of sales

Looking forward
- Continue to control costs
- Identify and implement further operating and overhead cost reductions and efficiencies
- Reduce net debt
- Further hedging, especially during period of development

Key performance indicators

As London Mining expands we have started monitoring our performance based on several KPIs.

KPI	Relevance to strategy	Performance	Future targets
Operational			
Resource and reserve growth (Mt)			
Million tonnes of attributable resources and reserves	Growing and upgrading our resource base is a key indicator of developing our asset base and building our long term production earnings potential	2,179Mt with over 57% in the Indicated category	Conversion of Inferred resources into Indicated and Measured categories. Reserve statement once long term production plan for Marampa is confirmed
Installed production capacity (Mtpa)			
Amount of production that is able to be produced in a 12-month period based on installed mine, processing and export capacity	London Mining selects assets with good logistics with near term production potential. London Mining measures its ability to translate its resource base into production	3.6Mtpa installed in Q1 2013, an increase of 240% from the nameplate capacity of the first Marampa plant installed in December 2011	5Mtpa of capacity installed by the end of 2013
Project delivery			
Ability to deliver on time and on budget	Measures management's forecasting capabilities and execution strength	100% of first year production target achieved at expected operating cost of USD 77/t	Ramp up to 5Mtpa by end of 2013 delivering the stated reduction in operating cost to USD 50/t
HSE			
Employees trained			
Number of employees that have undergone professional training	London Mining is keen to develop and retain a strong workforce to implement and advance its business	1,086 Sierra Leonean employees trained	Ongoing vocational training provided to Sierra Leone employees
Lost time injuries frequency rate (LTIFR) and fatalities			
LTIFR is calculated as the number of lost time injuries per million hours work	London Mining is committed to zero harm to its employees and is an important indicator of management performance	5 lost time injuries 1 fatality LTIFR of 0.96	We are targeting a significant reduction in lost time injury frequency and expect zero fatalities
Financials			
EBITDA (USD)			
Earnings before Interest Tax Depreciation and Amortisation	London Mining is focussed on delivering sustainable margins based on the production of premium high quality product at low cost	USD (14.2) million loss	We expect to deliver positive earnings in 2013 as we complete our construction programme at Marampa, expand production to 5Mtpa over the year and reduce costs
Cash cost per tonne			
Cash cost of production delivered Freight on Board (FOB)	Provides an indication of operating performance. Cash costs are expected to decrease as London Mining delivers on its business plan to expand production and implement its programme of continuous improvement	USD 77/dmt in first year of operation as we established the operation and support services required for expanded production	We expect operating cost to fall to below USD 50/t as we expand to 5Mtpa of capacity and above
Earnings per share (EPS)			
Retained profit after tax divided by weighted average number of ordinary shares	Provides shareholders with an indication of operating performance combined with capital efficiency	(80)c per share loss	Significant increase as we complete our capital programme and expand low cost production

Our markets

We are focused on providing new iron ore supplies to meet the growing needs of the global steel industry.

Excellent project fundamentals, premium product quality, simple deliverable logistics and low capital cost have allowed our Marampa mine to become one of the few successful new projects to reach the market in time to reap the rewards of the rise in demand for seaborne iron ore.

The seaborne iron ore market

The iron ore market features two basic types of supply: one supplied by local iron ore producers and/or inland suppliers, and one supplied by iron ore producers located in different and sometimes distant locations requiring transport in ocean going vessels – the seaborne iron ore market.

Over recent decades the seaborne iron ore market has grown. The depletion of local iron ore mines together with the benefits of using high grade material to improve performance and cost structure have motivated the steel industry to substitute local raw material with imported material. This has led to huge investment in high grade iron ore production in places like Australia and Brazil. It has also had a direct impact on the steel industry, causing the shutdown of old and obsolete inland mills and the implementation of new steel projects in coastal areas based on imported raw materials.

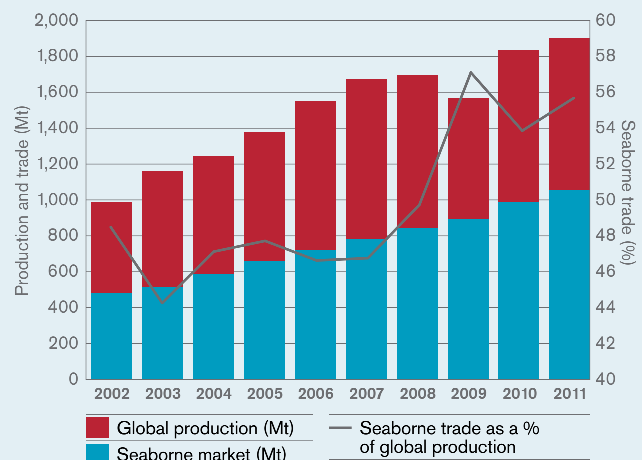
Meeting rising demand in China with seaborne iron ore

Exceptional growth in Chinese steel production in the last two decades has had a strong impact on the iron ore market. It has attracted new investments in mining operations, not only in China but all over the world. The ability of existing exporters to increase production has been stressed. The big three iron ore producers namely Rio Tinto, BHP Billiton and Vale, with high quality reserves, have invested in their established operating systems – increasing production for low incremental investment cost. Through these brownfield projects the mining companies have increased production in their own mines and logistics systems quickly, but demand has outstripped their ability to add marginal capacity. As a result, there has been an opportunity for new projects to enter the global iron ore project pipeline. However, new projects today often have a high level of implementation complexity, involving environmental licences, new logistical systems, considerations around impacts on communities, political discussions, demand for skilled labour and so on. The capital cost of many of these projects is also prohibitive, particularly as many of the owners are small developers who require a strategic partner to provide funding. In addition, many of the best projects are held by existing producers who prefer to increase returns on high margin existing production rather than expand.

China has stretched its domestic iron ore production capability to cope with its huge new demand. It has only been able to meet the full demand with high cost low quality production and through an increased dependence by steel makers on imports. There is evidence that increasing domestic iron ore production in China at the required pace has been achieved by reducing head grade, which has increased the cost of marginal supply and reduced the overall product grades.

Left hand: Tailings from previous operations before processing (Fe grade of 21%). Right hand: High quality concentrate after processing (Fe grade of 65%).

Growth in the seaborne iron ore trade



Source: Raw Materials Group

56% of all global iron ore supplies consumed by China

6% estimated increase in Chinese crude steel production in 2013

Our view, and that of many independent market analysts, is that China now faces the same processes that the old iron ore mines faced in other places, such as Europe. A portion of local mines are becoming less competitive, in quality and more importantly cost, and increasing domestic supply production is becoming increasingly more difficult. This is having a significant impact on the market.

One important component that could reduce this trend of imported iron ore replacing local iron ore would be physical restrictions, based around the lack of logistics capacity to allow the imported ore to reach the inland market. However, China has done its homework and, anticipating this need, is making relevant logistic investments in ports and railways, therefore allowing the seaborne material to efficiently reach inland plants. In addition, the current high availability of shipping fleet in the market is helping to make this flow of seaborne iron ore to inland China feasible and competitive. The competition between imported iron ore and local iron ore has therefore become, to some extent, directly a matter of cost versus value.

London Mining loaded and dispatched 24 ocean going vessels from the Freetown harbour in 2012.

The pressure on iron ore quality

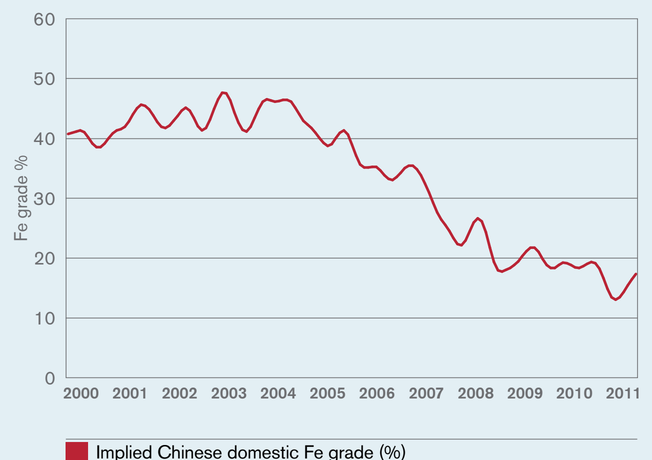
Quality is a key part of the story. The rapid response to increase worldwide iron ore production through brownfield developments has considerably reduced the average quality of iron ore traded in the market. Firstly, this is because the top quality reserves have been depleted more quickly and replaced by lower quality reserves. Secondly, it is less probable that new reserves with top quality material will be discovered in the traditional places, as the good ones have already been discovered and exploited and the new ones tend to be of lower quality and higher cost. So, although more iron ore is being offered to the market, the average quality is considerably lower than it was a decade ago. As a result, steel mills have to adjust their ore mix to extract the potential maximum value.

Meeting demand with our high grade iron ore

One way the steel industry has reacted has been to increase investment in hot phase processes, fitting technology and equipment that allow the use of lower quality raw material, in terms of granulometry and size distribution. In addition, ore of better chemical quality is being used to compensate for the other material available in the market.

With our high grade iron ore from Marampa, we are ideally placed to benefit from this market situation. The Chinese steel industry wishes to improve the quality of its ore mix to allow lower quality ores to be used in a cost efficient way and our high quality Marampa iron ore has been very welcome in this process. 2012 was the first year of Marampa ore in the market and its acceptance was remarkable. Our Marampa ore has been recognised as a valuable component in the ore mix of our end users.

Decreasing Chinese iron ore quality



Source: Credit Suisse

Our markets
continued

Some European and Asian steel plants show the intention to invest in their hot phase process to increase the use of high grade concentrated iron ore as well as improving their ore mix quality, thus creating a valuable market for our Marampa iron ore.

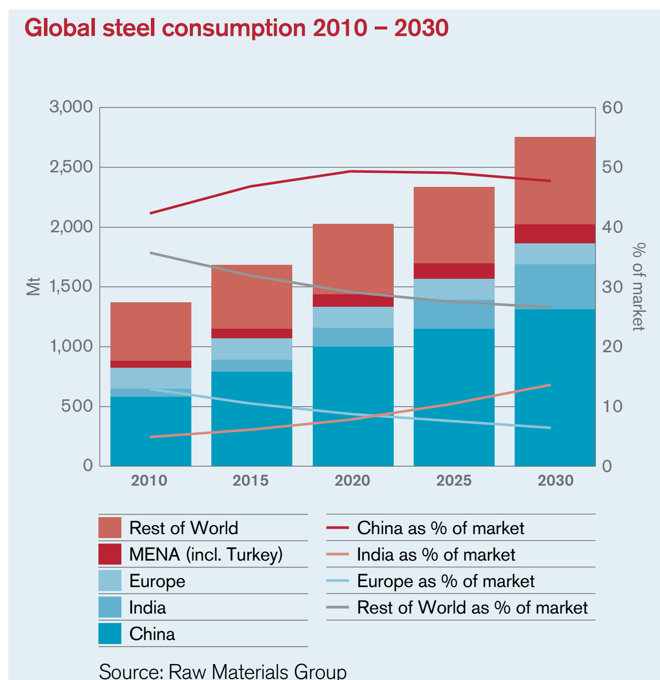
Forecasting steel demand

The steel market has recently experienced depressed prices and unstable demand partially as a result of excess installed capacity. However, world demand is generally expected to grow at high rates compared to recent decades. This is due to increased demand from fast growing developing countries creating an important portion of global steel demand. The table below, from World Steel Association and RMG, shows relative growth in developing countries. It shows that China is expected to maintain high growth levels, in absolute terms, demanding significant seaborne iron ore volumes for the foreseeable future.

Short term view

The first half of 2012 delivered high iron ore prices as global steel demand continued to increase, especially in the Asian markets. However, weakened outlooks on Chinese development and a significant destocking process within the Chinese steel industry in Q3 resulted in a temporary iron ore price crash. The price buoyed again in Q4, ending the year with increased positivity. Looking forward, feeling remains generally positive despite expectations of price fluctuations in 2013.

Global steel consumption 2010 – 2030



Source: Raw Materials Group

Demand

Following the positive trend of recent years, 2012 showed increased global consumption of steel products and therefore their raw materials. Despite macroeconomic pressures in most iron ore consuming countries during the latter part of 2012, iron ore consumption was estimated to increase by 0.9% during 2012 (source: CRU) and higher growth rates look to return in 2013, as Chinese demand continues to grow and Europe begins a slow recovery.

China still leads the demand side of the market, consuming around 56% of all global iron ore supplies. It exceeded 1Bnt in 2012, linked to an anticipated increase of 5% in crude steel output (source: CRU). This was despite uncertainty around the future growth rate of the Chinese economy and the succession of the Communist Party leadership causing a slowdown in the market in Q3. Meanwhile, Europe also struggled in Q3 with markets suppressed by questions surrounding the Eurozone debt structure.

Looking forward, Chinese market forecasts remain relatively robust, backed by assessments of long run market conditions. Increases of nearly 6% in crude steel production as a whole are expected in 2013 and estimates of a peak in steel use per capita remain into the mid 2020s. However, the European steel market remains depressed. Despite seeing recovery from the 2009 lows caused by the global financial crisis, growth remains slow due to continuing uncertainty around the stability of the Eurozone.

201%

expected increase in crude steel consumption between 2010 and 2030

Supply

World production of iron ore continued to grow in 2012, giving a year-on-year increase in total global iron ore exports of 1.6%.

Among the major producing nations, Australia increased production by 12.7%, Brazil by 5.1% and China by 2.1%. Production in India declined to an estimated 196.0 million tonnes in 2011, down 7.5%, and exported iron ore reduced significantly from 96Mt in 2010 to 51Mt in 2012.

Destocking, coupled with the increase in supply, caused the price drop in Q3, as the market was saturated with material but no one was buying it. This price drop caused a shockwave through producers, resulting in the widespread reassessment of projects. New and expanding projects were delayed, reducing the forecasted supply of iron ore to the market in the near future. This is positive for London Mining, as we are implementing our production capacity on time and have a competitive cost structure to profit fully from the healthy prices that have been seen recently.

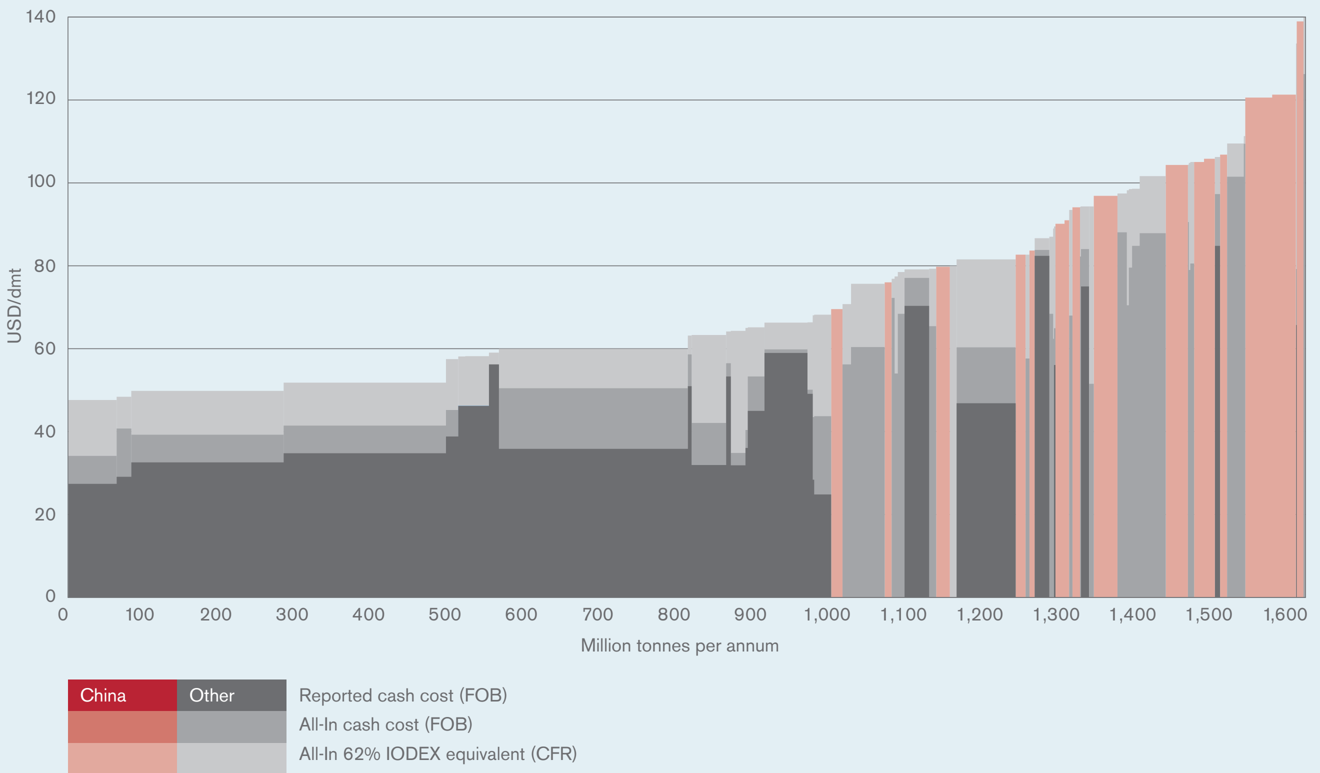
Longer term view

Looking further forward, special attention should be paid to India; where forecast steel production and consumption shows remarkable growth. The increase in Indian demand will outstrip their domestic iron ore supply and therefore practically eliminate iron ore exports adding significant demand to the seaborne trade. This will positively impact upon London Mining and could become a future focus with regards to product sales, as we look to diversify away from the Chinese market.

Freight

2012 was a year of low freight costs. Oversupply of vessels across the range of sizes and classes had allowed suppliers to capture higher FOB prices, including London Mining. In 2012, all of our Marampa product was shipped using geared supramax sized vessels (between 50kt and 60kt) with rates decreasing from a high of USD 45/wmt in Q1 to USD 33/wmt in Q4. The trend for these type of vessels and for Panamax sizes, that we have started using, is to remain in low levels during 2013, maintaining the positive impact on our FOB price levels.

Global iron ore cost curve 2015



Source: Credit Suisse

Performance

How our operations progressed

Marampa

We produced over 1.5Mt of high quality iron ore in 2012 and are expanding production capacity to 5Mtpa over the course of 2013.

120.6

USD million

Revenue from our Sierra Leone operations

Focus on Marampa

Our primary focus is the Marampa mine where we are **expanding production capacity to 5Mtpa** of high quality iron ore concentrate in 2013.

- London Mining
- Haul road
- Barge route
- Major city or town
- Other city or town
- Existing roads
- Rail

04 Barging

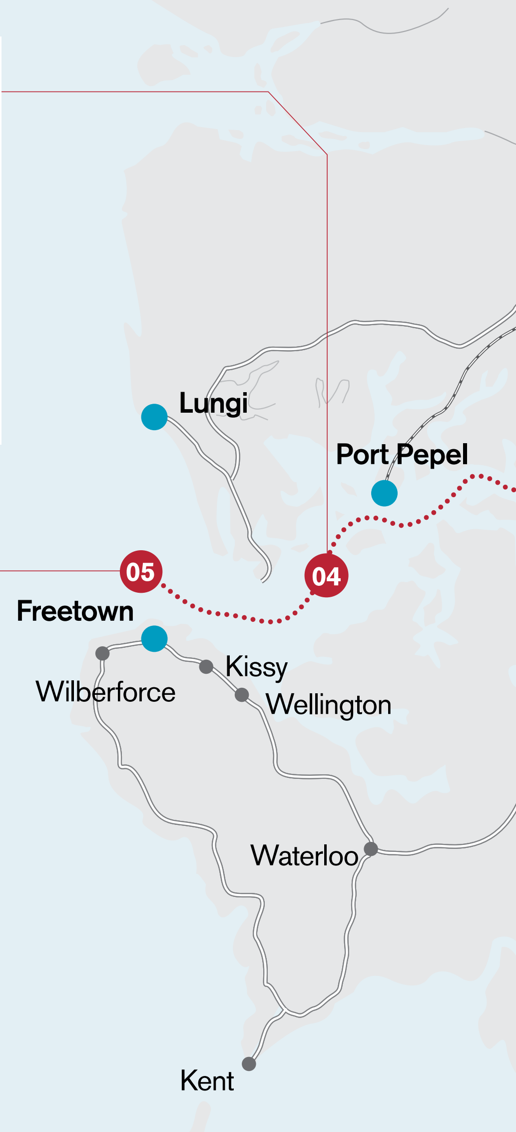
Iron ore concentrate is barged 50km to the Freetown harbour in fleet of 8,000t barges manoeuvred by tugs.

05 Transhipment operations

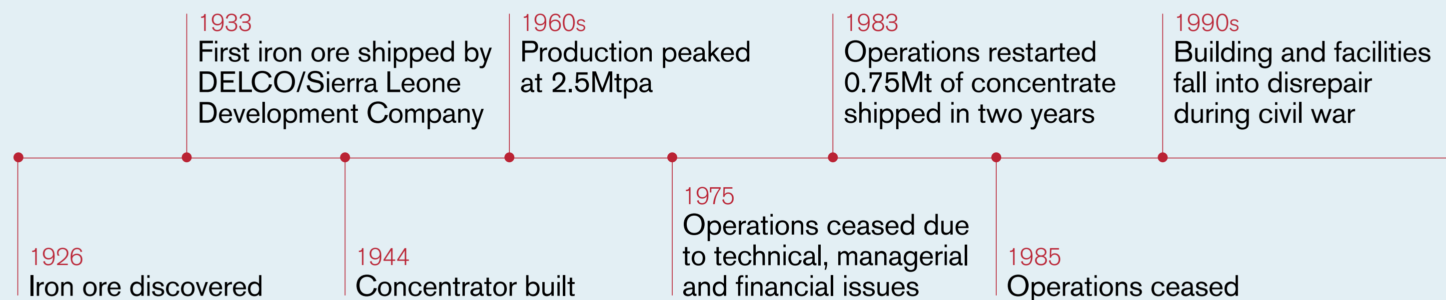
Iron ore concentrate is transferred from barges to ocean-going vessels (OGV) using either the OGV's own loading gear or using one of London Mining's vessels. The Pride of Marampa floating offshore transhipment platform (FOTP) is able to load ships at a rate of 20,000t per day and is being augmented with a floating crane transhipment unit in April 2013.

15 miles

25 kilometres



Marampa timeline



1926
Iron ore discovered

1933
First iron ore shipped by DELCO/Sierra Leone Development Company

1944
Concentrator built

1960s
Production peaked at 2.5Mtpa

1975
Operations ceased due to technical, managerial and financial issues

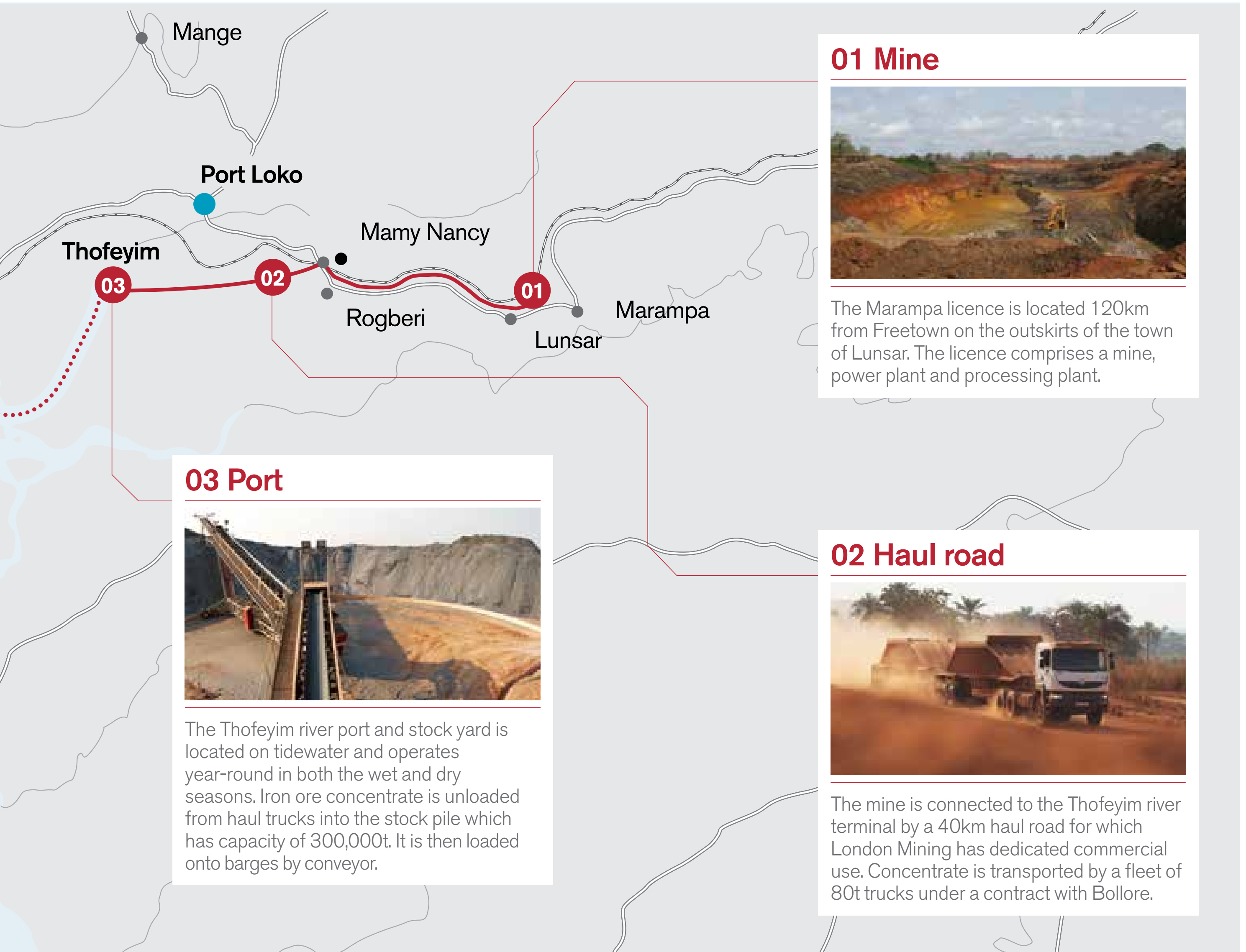
1983
Operations restarted 0.75Mt of concentrate shipped in two years

1985
Operations ceased

1990s
Building and facilities fall into disrepair during civil war

30+
Years of mine life

1.5Mt
Production in first year



01 Mine

The Marampa licence is located 120km from Freetown on the outskirts of the town of Lunsar. The licence comprises a mine, power plant and processing plant.

03 Port

The Thofeyim river port and stock yard is located on tidewater and operates year-round in both the wet and dry seasons. Iron ore concentrate is unloaded from haul trucks into the stock pile which has capacity of 300,000t. It is then loaded onto barges by conveyor.

02 Haul road

The mine is connected to the Thofeyim river terminal by a 40km haul road for which London Mining has dedicated commercial use. Concentrate is transported by a fleet of 80t trucks under a contract with Bollore.

2005 London Mining secures Marampa licence and commences feasibility work

2009 25 year mining licence granted. 90,000m diamond drilling programme commences

2010 Maiden JORC resource of 37Mt announced. Construction commences of plant, haul road and port

2011 1 billion tonne JORC resource announced

2012 Shipment of Marampa concentrate commences. Expansion to 5Mtpa commences. Production target of 1.5Mt concentrate achieved

Operational review
Marampa, Sierra Leone (100% ownership)

Highlights

- **Production of high grade sinter concentrate commenced at the mine in December 2011**
- **Over 1.5Mt of iron ore produced in 2012**
- **Expansion to 5Mtpa in 2013 on track**
- **Bankable feasibility study for an expansion to 9Mtpa was completed in 2012**
- **1 billion tonne resource could support an expansion to over 16Mtpa**

We started production at our Marampa mine in December 2011 and achieved our target of over 1.5Mt of high quality iron ore in 2012. We are expanding production capacity to 5Mtpa over the course of 2013. Marampa has a resource of over 1 billion tonnes of iron ore and we are reviewing ways to further expand production beyond our 5Mtpa base case.

Marampa 2012 production statistics

Ore mined (wmt)	**4,435,989**
Strip ratio (waste:ore)	**0.07**
Concentrate produced (wmt)	**1,631,000**
Average daily production rate (wmt/d)	**4,530**
Sales (wmt)	**1,279,000**
Average concentrate grade sold (Fe%)	**64.9**
Moisture content (%)	**6.7**
Average FOB price (including hedges) (USD/dmt)	**104**
Average freight (USD/wmt)	**39**

Loading of first ungeared ocean vessel in the Freetown harbour.

Ramping up production

Mining

Although production continued with limited interruption through the year, we faced the poor performance of mining contractors in the first half of the year and pit access issues during the wet season. We have taken measures to improve future performance – employing a new mining contractor on a productive tonne movement basis, establishing a larger run of mine stockpile ahead of the start of the wet season in May and implementing a dewatering program to improve pit access and ensure efficient mine scheduling.

Processing

The processing plant operated consistently well on a variety of ore blends in 2012 and achieved a run rate of over 2.0Mtpa in Q4, some 33% higher than the nameplate capacity of 1.5Mtpa. We completed grade volume work over the year with concentrate grade reduced to 64.5% Fe to maximise plant efficiency.

We completed the second processing plant resulting in installed capacity of 3.6Mtpa and commenced production of concentrate in February 2013. Over the course of the coming year, we will make further plant upgrades installing crushing, milling and a gravity separation (spirals) circuit in H2, in order to build to a production run rate of 5Mtpa by the end of the year. We expect production of between 3.3Mt to 3.6Mt in 2013 depending on final commissioning of the plant upgrades and performance of the operations in the wet season.

Logistics

The concentrate trucking operation performed as expected, with over 21,000 truck journeys totalling 1,800,000km completed over the year. There was some deterioration of short sections of the haul road towards the end of a longer and more intense than usual wet season but repairs and preventative maintenance have been completed to improve future performance. The truck haulage operation, run under contract by Bollore, is being expanded as additional plant production volume comes on line, with the haul fleet being expanded to 35 eighty tonne trucks as required. Over 210 loaded barge journeys were completed in 2012 with 24 ocean-going vessels loaded in 2012. Additional barges are to be added in 2013 with the current barging fleet to be augmented in April with a self propelled barge currently operating in West Africa.

The Pride of Marampa floating offshore transhipment platform (FOTP) arrived in Sierra Leone in Q1 2012. Its commissioning took longer than expected, with significant repairs undertaken, at the cost of the shipyard, in order for the vessel to achieve its planned rate of 20,000t/d. Following commissioning and consistent performance of the FOTP in Q1 2013, we have scheduled ungeared ocean-going vessels for loading from the beginning of April 2013. In addition, we have mobilised a second transhipment vessel that until recently operated successfully in India with a proven loading rate of 15,000t/d. This second vessel is expected to arrive in Sierra Leone in early April for immediate commissioning, resulting in a total installed transhipment capacity of 35,000t/d. This significantly derisks the transhipment operations by providing back-up to the existing FOTP

We have had an excellent first year of production at Marampa, beating the full year production target we set in January 2012.

and provides accelerated and multiple vessel loading capability. The new vessel is being leased over a three-year period and will be funded through reinvesting operating cost savings made from improved cycle times and a reduction in redundant barging capacity.

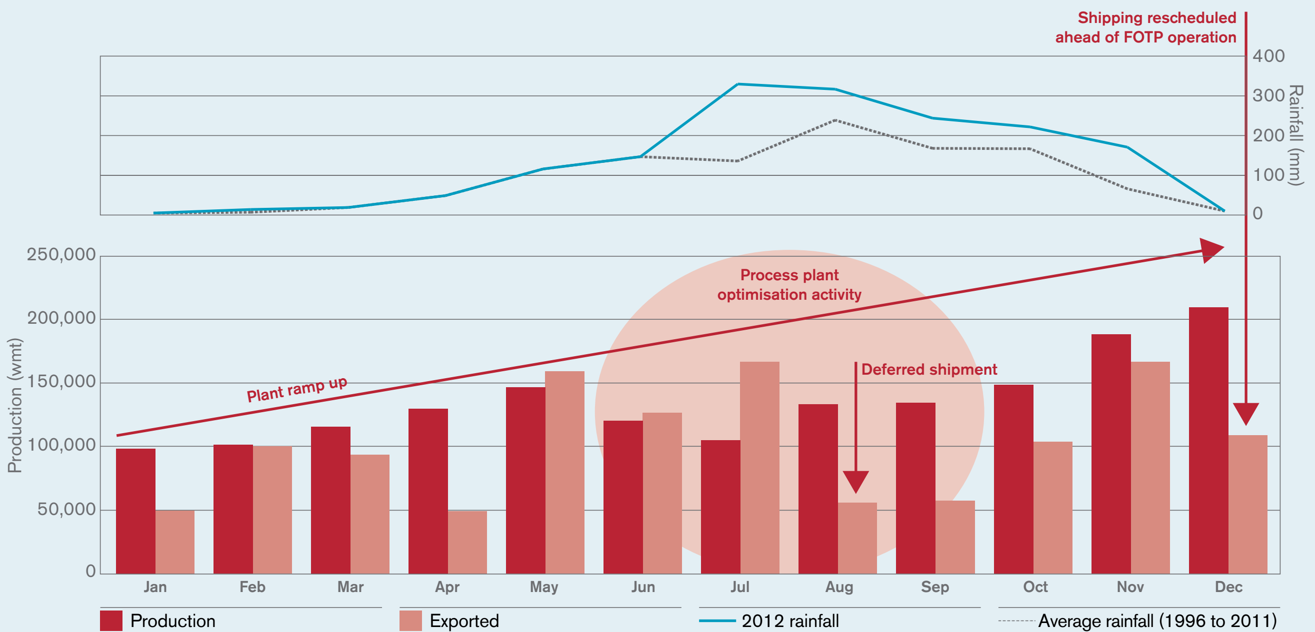
As a result of the excellent performance of the Marampa processing plant in Q4 2012, a significant stockpile is now in place with shipping scheduled to align with FOTP commissioning in Q1 2013 also allowing the realisation of a significantly higher freight on board (FOB) price than would have been achievable in Q4 2012. The logistics required to deplete the stockpile are already in place and we expect the further upgrades to transhipment capacity to reduce it to an operating level of less than 100,000wmt or one shipload during the first half of 2013.

Managing operating and capital costs

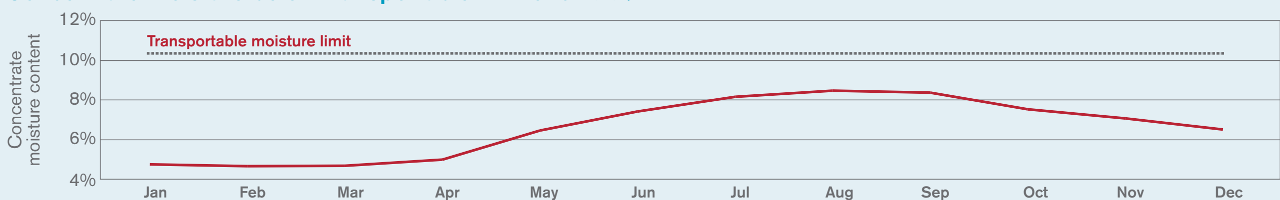
Attributable operating costs for 2012 were USD 77/t in line with previous guidance at HY 2012 and we expect operating costs of USD 50/t at the 5Mtpa run rate. Total forecast capital expenditure to complete the 5Mtpa operation since 2011 increased by 10% from USD 310 million (USD 320 million at half year 2012) to USD 340 million with 79% committed, (with the majority of uncommitted relating to residual USD 34 million to be spent on the optimisation programme, the timing of which could be deferred). Capital intensity for the initial 5Mtpa now stands at USD 68/annual tonne of capacity, still less than a third of the industry average of USD 219/t. The scope of the 5Mtpa operation now includes increased power generation, thickening and pumping capacity as well as an additional belt filter and shore protection at the Thofeyim River Terminal. Some plant design modifications and cost inflation also contributed to the increase over the year. These items will contribute to a more robust and efficient operation. We are working on a low capital expenditure investment plan to extend operations after the exhaustion of the tailings resource. Initial work implies that the plant can be modified to process both weathered and unweathered ore types for an estimated investment of USD 250 million, thereby extending mine life to over 30 years.

Performance

2012 production profile
Ramp up to over nameplate capacity with continuous shipping



Concentrate moisture below transportable limit of c.10.5%



Operational review
Marampa, Sierra Leone (100% ownership)
continued

Exploring opportunities for further production growth

A bankable feasibility study considering the expansion of the 5Mtpa plant to 9Mtpa was completed in November 2012. The study assumed mining and processing of the weathered portion of the Marampa ore body as well as the upgrading of the existing logistics solution. Bateman estimated initial capital expenditure of USD 860 million (-5/+15%), which includes USD 110 million for an owner operator mine fleet, to expand the operation within two years to process weathered ores. Operating costs were USD 39/t for the first five years. An updated prefeasibility study (PFS) on the extension of the mine life to incorporate unweathered resources showed that a further investment of USD 550 million (+/-35%) after five years would extend the total Marampa mine life to around 30 years with an average life of mine operating cost of USD 40/t. A value engineering process is underway which will include a further review of cost estimates for 9Mtpa based on alternative tailings disposal solutions and the use of contract mining which could realise potential capital expenditure savings of an estimated USD 140 million.

Other scenarios under consideration are smaller incremental expansions beyond the 5Mtpa nameplate; further investment in logistics including use of pipeline or a multi-user deepwater port and rail; and also the ultimate economic concept for the total billion tonne resource.

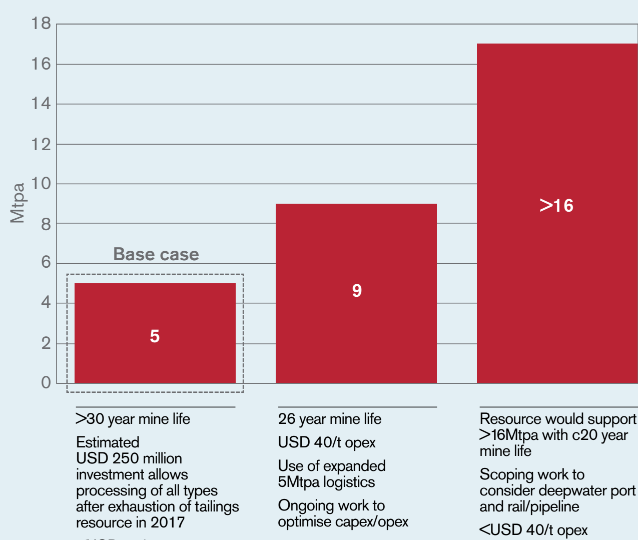
Hedging, offtake and marketing

All 2012 production was sold under the existing offtake agreement with Glencore. The offtake is based on Platts 62% CFR China benchmark, with an upward adjustment for the Fe content of our 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.

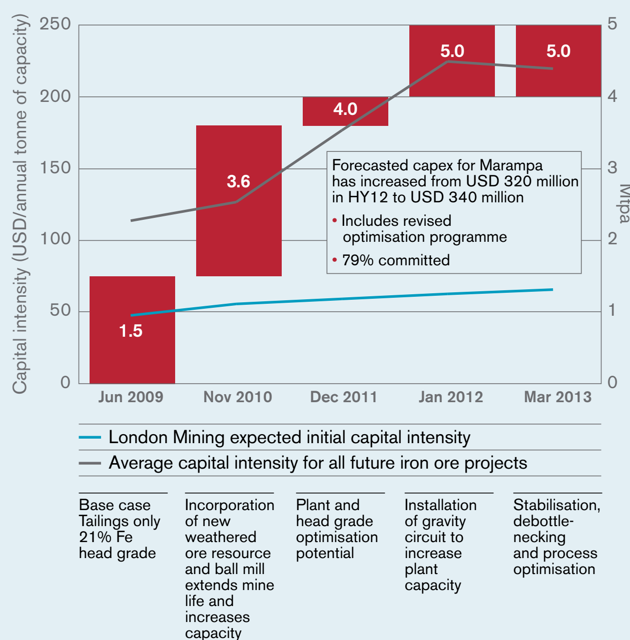
As part of our debt finance facility with Standard Chartered Bank we hedged 513,000dmt of our 2012 production at an average of USD 148/t referenced to 62% Fe China. This price excludes the grade-related premium and freight. After annual freight of an average of USD 39/wmt and hedging, the average received price for Marampa concentrate over the year was USD 104/dmt FOB before selling related costs.

London Mining has entered into commodity price derivatives, which included additional hedges placed under the terms required for the restructured corporate facility for 1,523,000dmt of 2013 production at an average CFR price of USD 126/dmt and 113,000dmt of 2014 production at an average CFR of USD 111/dmt in order to secure cash flow in a key stage of production growth. As a requirement of our new financing facility, we will be entering in to an ongoing hedging programme to secure cash flows over the next 15 months.

Development plan
Consolidating 5Mtpa production with options for expansion



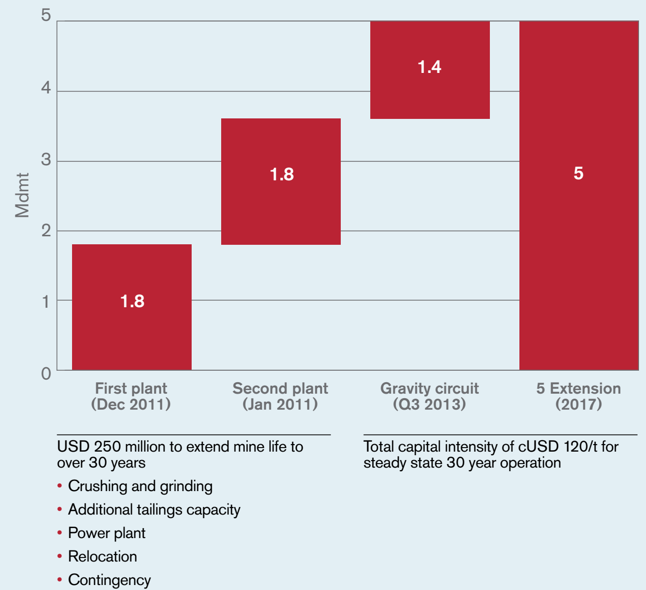
Investment in robust and efficient 5Mpta operation
Initial production capacity still a third of industry average cost



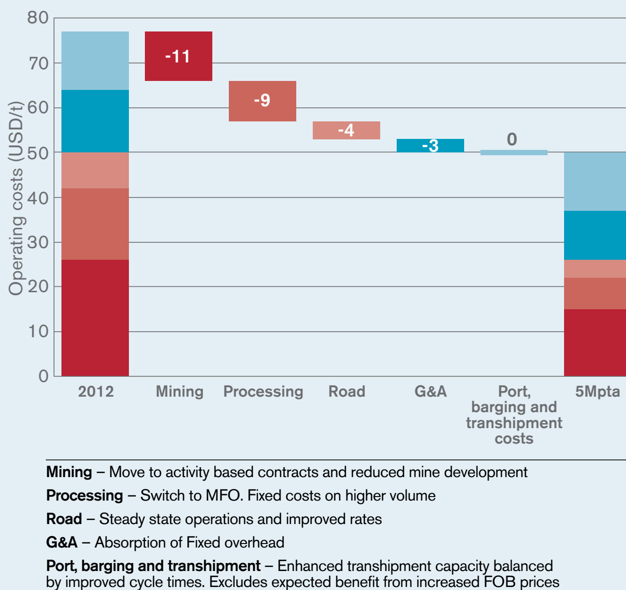
Source: CRU

On 28 March 2012, we signed a USD 45 million prepayment agreement with the Vitol Group regarding the offtake of 2Mwmt of iron ore per annum over five years, commencing in 2013 in parallel with London Mining's ramp up in production to 5Mtpa. Pricing will be based off the Platts 63.5/63% Index and will include a premium to reflect the Fe content of the product. This facility was increased to USD 55 million during April 2012 and the offtake contract extended for a further year. The facility is unsecured and repayable in two tranches over three and five years respectively, with no payments due in the first 12 months.

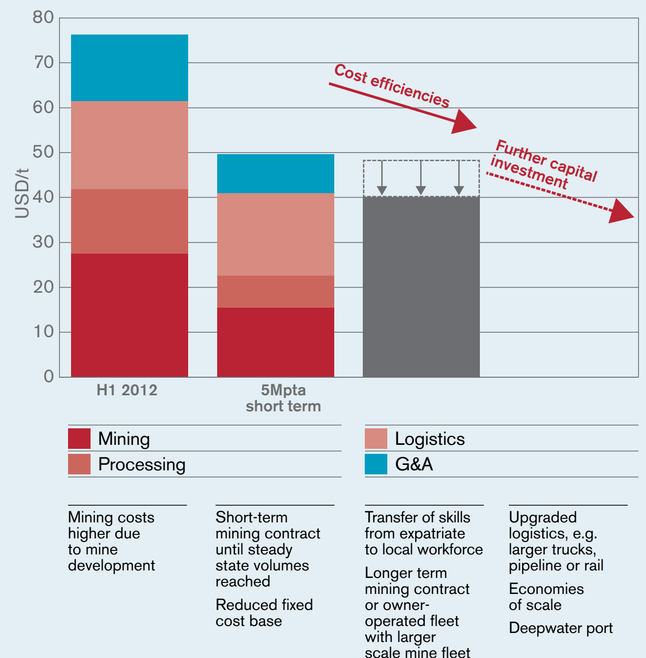
Marampa base case expansion to 5Mtpa
Total capital intensity of cUSD 120/t for steady state operation



Short term cost reduction at 5Mtpa
Driven by economies of scale and programme of continuous improvement



Marampa operating cost evolution
Further cost reduction potential at steady state production



Operational review
Marampa, Sierra Leone (100% ownership)
continued

Fiscal incentive review

We engaged with a Government of Sierra Leone sponsored committee to consider changes to the fiscal agreement previously ratified by Parliament as part of the February 2010 Mining Lease Agreement (MLA). The new MLA was ratified by Parliament on 27 March 2012.

The original MLA set a fiscal regime for five years, starting 1 January 2010. The negotiations permitted the fixing of a fiscal regime for a 10 year period, starting 1 January 2011. This provides a clear stable platform for long term growth as we look to accelerate the expansion and development of the mine to reach our targeted production of over 16Mtpa. Although the corporate tax rate will increase to 25% from 6% from 1 January 2014, a year earlier than envisaged in the 2010 MLA, there has been no material change to the valuation of the overall project and development continues as planned. The fiscal regime set for the extended period, as expected, is largely in line with fiscal concessions granted to other developing mining companies in the country, incentivises early reinvestment of profits to expand and encourages sustainable long term investment in Sierra Leone.

Resources

As planned, plant feed during commissioning focused on the tailings resource, with highly weathered material added to plant feed to increase head grade over the course of the year. A significant run of mine stockpile is now in place ahead of the wet season.

Primary Mineral Resources for Marampa at December 2012 were estimated (after depletion) to be approximately 1,037Mt at 31.5% Fe reported at a 15% Fe cut-off. The Mineral Resource comprises 829Mt grading 31.7% Fe in the Indicated category and 208Mt grading 30.6% Fe in the Inferred category. The total Mineral Resource at Marampa including tailings is now estimated to be 1,072 Mt grading 31.2% Fe of which 81% is classified as an Indicated Mineral Resource representing depletion of less than 1% over the first 12 months of operations. Mineral Resources are reported in accordance with the JORC code (JORC, 2004). Summaries of the mineral deposits and the associated mineral resources are available on the London Mining website.

Marampa December 2012 Mineral Resources reported at a 15% Fe cut-off grade

Material	Classification	Tonnes (Mt)	Fe (%)	Al_2O_3 (%)	SiO_2 (%)	CaO (%)	MnO (%)	P (%)	S (%)
Highly weathered	Indicated	52	35.07	6.68	38.0	0.13	0.24	0.04	0.01
Moderately weathered	Indicated	61	33.21	5.26	41.9	0.56	0.15	0.10	0.01
Primary	Indicated	537	32.66	4.50	38.3	3.15	0.18	0.16	0.01
High Manganese	Indicated	180	27.44	5.68	40.4	2.94	2.73	0.08	0.01
Primary Indicated Mineral Resources		**829**	**31.7**	**5.0**	**39.0**	**2.72**	**0.73**	**0.13**	**0.01**
Tailings	Indicated	34	22.5	9.0	51.4	0.10	1.05	0.05	0.01
Total Indicated Mineral Resources		**864**	**31.4**	**5.1**	**39.5**	**2.62**	**0.75**	**0.13**	**0.01**
Highly weathered	Inferred	21	33.7	7.3	39.5	0.15	0.3	0.06	0.01
Moderately weathered	Inferred	16	33.0	5.4	41.6	0.50	0.1	0.09	0.01
Primary	Inferred	150	30.3	5.3	41.1	2.72	0.3	0.18	0.02
High Manganese	Inferred	21	27.3	5.5	38.6	2.83	3.5	0.09	0.01
Total Inferred Mineral Resources		**208**	**30.6**	**5.5**	**40.8**	**2.30**	**0.58**	**0.15**	**0.01**
Total Mineral Resources		**1,072**	**31.2**	**5.2**	**39.8**	**2.56**	**0.71**	**0.13**	**0.01**

This statement has been compiled by Ivor Jones, Group General Manager – Geosciences, Snowden Mining Industry Consultants and is independent of London Mining. Ivor Jones has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ivor Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

5Mt

Production capacity in 2013

68/T

USD

Expected capital intensity for initial 5Mtpa of capacity

Operational review Isua, Greenland (100% ownership)

A bankable feasibility study has been completed for a 15Mtpa operation based on a resource of over 1.1 billion tonnes.

Highlights

- **Project to produce 15Mtpa premium blast furnace pellet feed with low impurities**
- **BFS shows project net present value (NPV) of USD 1.76 billion with a project internal rate of return (IRR) of 18.7% on a 10 year initial operation with 3.5 year payback**
- **Joint Ore Reserves Committee (JORC) classified mineral resource of 1,107Mt with internally diluted grade of 32.6% Fe**
- **Additional mineralisation potential of between 950Mt and 1,500Mt including a high grade hematite target of between 150Mt and 300Mt**
- **Permitting process expected to be completed in 2013**

Located 150km north-east of Nuuk and 110km from a proposed deep seawater port, Isua will produce a premium quality 70% Fe pellet feed concentrate with low impurities. In addition, Isua benefits from its position in the warmer south-west corner of Greenland which allows for year-round shipping. A bankable feasibility study (BFS) has been completed for a 15Mtpa operation based on a resource of over 1.1 billion tonnes.

The Isua deepwater port will be capable of loading capesize ocean going vessels.

Bankable feasibility study

A BFS with AACE Class 3 estimates for a 15Mtpa operation was completed in March 2012. A 10 year mine life based on the currently available amount of indicated resources was considered. A 15 year scenario was also evaluated to demonstrate the greater potential of the asset. The BFS showed a capital cost of USD 2.35 billion and operating cost of USD 46/t generating a project NPV of USD 1.76 billion with a project IRR of 18.7% on a 10 year initial operation with 3.5 year payback.

Study date	March 2012
Annual production (Mtpa)	**15**
Mine life (years)	**10 with possible extension to 15**
Operating cost (USD/t concentrate)	**46**
Capital expenditure (USD billions)	**2.35**
Capital intensity (USD/annual tonne of capacity)	**157**

Increasing estimated resources

As part of the BFS programme, 7,656m of drilling was completed during the summer of 2011, which forms the basis for an updated resource statement. Snowden Mining Industry Consultants (Snowden) estimated a total resource for Isua of 1,107Mt grading 32.3% Fe. This improved result has increased the resource by 10% in resource tonnage from the March 2011 resource statement. The modest reduction in Fe grade results from the decision to report internally diluted head grades due to the incorporation of waste-bearing structures in the block model rather than considering a selective mining method.

Summary of the Isua JORC resource at March 2012 reported at a 20% Fe cut-off grade[1]

Category	Tonnes (Mt)	Fe (%)	Al_2O_3 (%)	SiO_2 (%)	S (%)	P (%)
Indicated	**380**	**32.6**	**2.4**	**41.8**	**0.23**	**0.03**
Inferred[1]	**727**	**32.1**	**2.3**	**42.3**	**0.22**	**0.03**
Total	**1,107**	**32.3**	**2.4**	**42.2**	**0.22**	**0.03**

[1] 83% or 607Mt of the inferred resources are extrapolated beyond the current drilling coverage.

This statement has been compiled by Ivor Jones, Group General Manager – Geosciences, Snowden Mining Industry Consultants and is independent of London Mining. Ivor Jones has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Ivor Jones consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Operational review
Other projects

Identifying the potential for additional resource

The 2011 drilling campaign also confirmed additional mineral resource potential originally identified by Rio Tinto in 1997. This area of mineralisation potential is the down dip extrapolation of the Isua banded iron formation (BIF). An area of hematite BIF interpreted at the top of the BIF unit forms part of this potential. This area appears to be underlain by the more typical magnetite BIF.

Summary of Isua's mineralisation potential at December 2011[2]

Potential mineralisation type	Potential tonnage range (Mt)	Potential grade range (Fe%)
Magnetite BIF	**800 to 1,200**	**30-33**
Hematite BIF	**150 to 300**	**>35**

[2] Snowden considers this material to be an indication of mineralisation potential only and makes no guarantees that this material can or will be converted to a mineral resource or an ore reserve at any time in the future following the collection of additional data.

Next steps – permitting and financing

The first stage of the permitting process, the public hearings, has been completed and we have submitted our applications for the construction of the project in accordance with the Mineral Resources Act of Greenland. We expect the approval process to be completed in 2013 and are waiting to engage with the new Government following the Greenland election on 12 March 2013.

London Mining has completed over 18,000m of diamond drilling at Isua since 2005.

Wadi Sawawin, Saudi Arabia
(right to a free carried 25% interest)

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 direct reduced iron (DRI) steel plants which account for 90% of steel production in the Middle East and North African region.

Wadi Sawawin's location gives it a competitive advantage over competing Brazilian and European supply due to 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 diversification of Saudi Arabia's economy, which is an important element of Government policy. As a result, the project should benefit from low cost state sponsored funding.

We hold the right to a free carried 25% interest in the project and in 2010 completed a bankable feasibility study on a 5Mtpa mine, pellet plant and port. The study estimated total capital expenditure (including power and desalination plant) of USD 1.9 billion for a 5Mtpa mine, processing plant and deepwater port, with operating costs of less than USD 50/t pellets. The current indicated Joint Ore Reserves Committee (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, we have 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.

Progress at Wadi Sawawin was limited in 2012 and further development depends on a dispute being resolved between our Saudi partners National Mining Company and their proposed engineering firm STX Heavy Industries. We are not involved in the dispute but are working with both parties to resolve it constructively.

Colombia
(100% owned)

We began initial production of coke at our Colombian operations in January 2012 and produced 46,000t over the year. However, following a review of the business with the backdrop of operational issues, our strategic focus on iron ore, and ongoing weakness of the market for coke, we placed the Colombian operations into care and maintenance in January 2013. As a result we reclassified the asset as "discontinued – held for sale" and have made a full provision of USD 66.3 million to the residual carrying value of the asset at year end, which includes the write off of USD 14.6 million cumulative exploration costs on the decision to exit the tenements. An active programme to sell the business has been initiated.

Category	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Coke produced (t)	**14,695**	**12,937**	**12,616**	**5,800**

Financial review

2012 saw the first full year of production from our Marampa operations.

Highlights

- **Full year production at Marampa provided EBITDA profit of USD 20.4 million (2011: loss of USD 12.8 million)**
- **Group EBITDA loss reduced by USD 22.2 million, with loss from continuing operations of USD 14.2 million (2011: loss of USD 36.4 million)**
- **USD 247.7 million net cash inflow from financing and USD 192.0 million net cash outflow from investing activities**

Financial information is presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Earnings are assessed on the basis of EBITDA (earnings before interest, taxation, depreciation and amortisation) before exceptional items that due to their nature or frequency are presented separately on the face of the income statement.

2012 saw the first full year of production from our Marampa operations. From 1 January 2012 the operations have been considered to be in commercial production with revenues and operating costs reported in the income statement and depreciation charged to producing assets. All Marampa costs and depreciation are recorded in cost of sales for the year ended 31 December 2012. In the prior year Marampa non-production general overheads were recorded within administrative expenses below gross profit/loss.

Following a strategic review, we have placed the Colombia business on care and maintenance to allow us to focus on the development and expansion of our core iron ore assets. Consequently, Colombia is presented as an available for sale asset on the balance sheet and within discontinued operations within the income statement after recording an impairment of USD 66.3 million, including the write down of USD 14.6 million cumulative exploration costs.

During the year the Group raised over USD 247.7 million from financing activities. On 18 March the Group completed a USD 165 million restructuring of its USD 90 million corporate debt facility, with Standard Chartered Bank (SCB), FirstRand Bank Limited (RMB) and Ecobank. The facility is subject to certain conditions precedent and drawdown is expected in early Q2 2013. The increased facility will be used to repay the existing USD 90 million facility and will enable the subsequent consolidation of certain other unsecured loans into the one secured facility at a lower interest cost. This further strengthens the Company's balance sheet and provides the necessary financing and contingency to expand production at Marampa to 5Mtpa.

Rachel Rhodes
Chief Financial Officer

1. Earnings summary

	Year ended 31 December	
	2012 USD'000	2011 USD'000
EBITDA (continuing operations)	**(14.2)**	(36.4)
Sierra Leone	**20.4**	(12.8)
Greenland	**(2.3)**	(1.5)
Saudi Arabia	**(0.6)**	(0.7)
Corporate	**(31.7)**	(21.4)
Depreciation	**(13.0)**	(1.2)
Net operating loss (continuing operations)	**(27.2)**	(37.6)
Impairment	–	(3.3)
Fair value gain (BlackRock royalty agreement)	**7.5**	–
Net finance (charge)/income	**(38.3)**	0.2
Taxation	**29.7**	(20.6)
Net loss after tax (continuing operations)	**(28.3)**	(61.3)
Result from discontinued operations	**(79.5)**	1.3
Loss for the year	**(107.8)**	(60.0)

EBITDA

EBITDA loss from continuing operations for the year of USD 14.2 million represents an improvement of USD 22.2 million from the prior year after a contribution of USD 20.4 million EBITDA profit from Marampa operations:

Marampa operations

Year ended 31 December 2012	USDm		kdmt
Revenue	**120.6**	Production	**1,522**
Royalty	**(3.8)**	Sales	**1,191**
Operating costs	**(116.8)**	Concentrate stockpile	**334**
Inventory movement	**20.4**		
EBITDA	**20.4**		

20.4

USD million

EBITDA profit at Marampa

Revenues were USD 120.6 million (including USD 12.4 million hedge income), on total sales of 1,191,000dmt of concentrate. Revenue is recorded net of freight and marketing related costs and represents an average freight on board (FOB) realised price for the period of USD 101/t.

We successfully ramped up production during the year, exceeding our production target of 1.5Mt. 2012 attributable operating costs (before royalties and depreciation) were USD 77/t during this initial phase of production, which is in line with guidance provided in the results for the period ended 30 June 2012. The Group is on track to reduce costs to an expected run rate of USD 50/t by the end of 2013 as the Phase 1 ramp up to 5Mtpa is completed. Inventory movement reflects the build up of the concentrate stockpile, which is largely due to shipping scheduled to align with FOTP commissioning in Q1 2013 and to allow realisation of a significantly higher FOB price than would have been achievable in Q4 2012.

Group EBITDA

Group EBITDA loss of USD 14.2 million includes the EBITDA contribution from Marampa of USD 20.4 million (prior year loss USD 12.8 million), less other Group and project costs (excluding depreciation) of USD 34.6 million (2011: USD 23.6 million). Other Group costs recorded in earnings include:

- USD 2.9 million (2011: USD 2.2 million) costs for ongoing activity and development of the Greenland and Saudi Arabia projects.
- USD 31.7 million (2011: USD 21.4 million) corporate charges – an increase of USD 10.3 million, which reflects:
  - USD 4.2 million increase in non-cash share-based payment charges, which includes a non-recurring charge of USD 1.6 million for the Fraser Turner settlement during the year.
  - USD 3.8 million of legal and associated costs related to litigation, which has now been settled in full.
  - USD 2.3 million increase in staff costs, reflecting an increase in headcount as the Company has moved from development into production.
- USD nil (prior year USD 12.8 million) other Sierra Leone overheads now classified within cost of sales, following the move into commercial production from 1 January 2012.

Net finance costs

Following the start of commercial production at Marampa, borrowing costs for the SCB facility (USD 10.1 million) and the convertible bond (USD 12.6 million) are now included in the income statement as finance costs instead of being capitalised to the balance sheet as in the prior year, in accordance with applicable Accounting Standards. Also included in the current year are finance lease charges of USD 3.9 million relating to The Pride of Marampa transhipment vessel and the non-cash unwinding of the discount recognised on the BlackRock non-recourse funding of USD 10.1 million.

Taxation

The Group has recorded a taxation credit of USD 29.7 million for the year (prior year charge of USD 20.6 million) recognising deferred tax assets in respect of tax losses in Sierra Leone which are now expected to be utilised at the increased corporate tax rate of 25% (previously 6%).

Discontinued operations

Following a strategic review of the Colombia operations in light of certain operational issues and based on continued weakness in the coke market and low medium term margins, the business has been placed on care and maintenance with a view to divesting the asset such that the Group can focus on its core iron ore assets. As a result the Colombia business is included with discontinued operations in the income statement and as available for sale on the balance sheet as it is expected the asset will be sold within 12 months.

Loss recorded from discontinued operations was USD 79.5 million (prior year profit USD 1.3 million). The loss included a net impairment of USD 67.3 million including USD 14.6 million write off of cumulative exploration costs following the decision to exit the tenements. The total carrying value of assets in the business is now reduced to USD nil (other than inventory and cash held in the business). The impairment reflects certain historic operational issues and the ongoing weakness of economic conditions and current market for coke. Management believes there is both intrinsic value to the business and coke markets in the medium to long term. See note 9 to the financial statements.

2. Balance sheet

Non-current assets

	31 December 2012 USDm	31 December 2011 USDm
Sierra Leone	**425.9**	281.0
Colombia	**–**	60.5
Greenland	**65.1**	60.2
Saudi	**25.9**	25.3
Other	**0.5**	0.5
Total intangible assets and property, plant and equipment	**517.4**	427.5
Other and deferred tax asset	**13.7**	2.2
Total non-current assets	**531.1**	429.7

Non-current assets have increased by USD 101.4 million to USD 531.1 million driven by the ongoing development and expansion of the Marampa project. Marampa assets increased by USD 144.9 million primarily as a result of continued development of Phase 1 to reach the forecast 5Mtpa capacity, as shown in the tables overleaf. This was offset by the write down of Colombia assets in the year to USD nil.

Financial review
continued

London Mining has sufficient cash resources to expand Marampa to a target production of 5Mtpa.

Sierra Leone assets

	31 December 2012 USDm	31 December 2011 USDm
5Mtpa operations	**315.9**	208.3
9Mtpa development studies	**7.6**	3.4
JORC Resource and drilling	**25.4**	25.2
Mineral property and acquisition	**19.2**	11.0
Capitalised borrowing costs	**19.0**	15.0
Environmental provision	**3.8**	1.4
Other assets	**35.0**	16.7
	425.9	281.0

Phase 1 development project breakdown

	31 December 2012 USDm	31 December 2011 USDm
5Mtpa capital cost	**243.3**	167.3
Owner's construction team	**26.0**	14.7
Capitalised overheads – construction	**36.1**	12.6
Transhipment vessel	**24.2**	15.0
Depreciation	**(13.7)**	(1.3)
	315.9	208.3

Total Marampa additions of USD 144.9 million included:

- USD 107.6 million 5Mtpa operations construction cost as we continue to ramp up to a capacity of 5Mtpa. This cost is inclusive of salaries and attributable construction overheads capitalised.
- USD 4.2 million development studies for 9Mtpa BFS.
- USD 8.2 million mineral acquisition cost relating to the cash and shares settlement with Fraser Turner during the year.
- USD 18.3 million other assets and operation optimisation.

Total capital cost for 5Mtpa is expected to be USD 340 million, a USD 20 million increase from previously reported at H1 2012. This includes USD 50 million optimisations. As at 31 December 2012, USD 259 million of the 5Mtpa project cost had been paid or accrued, including USD 16 million of optimisations (included in other assets) and a further USD 8 million was committed. 2013 capex including optimisations is therefore expected to be USD 81 million (including amounts already accrued).

Liabilities

	31 December 2012 USDm	31 December 2011 USDm
Trade and other payables	**71.4**	61.5
Current borrowings	**116.2**	92.1
Finance lease	**0.8**	–
Other current liabilities	**9.4**	7.6
Liabilities held as available for sale	**2.6**	–
Current liabilities	**200.4**	161.2
Non-current borrowings	**131.0**	90.5
Deferred tax and provisions	**3.9**	20.8
Finance lease	**17.8**	–
Other non-current liabilities	**134.9**	31.8
Non-current liabilities	**287.6**	143.1
Total liabilities	**488.0**	304.3

i) Trade and other payables
Trade and other payables include USD 25.0 million (2011: USD 8.1 million) prepayments of Marampa iron ore concentrate under the terms of the Glencore working capital facility. Also included are creditors due in respect of Marampa operational and capital expansion activities.

ii) Borrowings
Current borrowings include the USD 90.0 million SCB Corporate facility, which as at 31 December 2012 was repayable in October 2013, and current amounts due under the Vitol loan and convertible bond. On 18 March 2013 the Group signed an increased Corporate debt facility of USD 165 million with SCB, RMB and Ecobank which will be used to repay the existing SCB facility. The additional funds will also permit the future consolidation of certain other unsecured loans into one secured facility, at a lower interest cost. Drawdown is expected in early Q2 2012 following the completion of certain conditions precedent and has a tenure of two years and ten months, with first repayment due in April 2014 (see note 34 to the financial statements).

Non-current borrowings represent the convertible bond and funds received from Vitol Group under an offtake loan agreement.

iii) Finance lease
In January 2012 the Group completed a sale and leaseback agreement with Oldendorff (see note 22 to the financial statements) for the transhipment vessel 'Pride of Marampa' under which the Group received net proceeds of USD 18.4 million. The agreement represents a finance lease and is recognised on the balance sheet at the minimum value of future lease payments.

iv) Other liabilities

Other current liabilities reflect estimated USD 5.9 million payable on 2013 sales under the BlackRock Marampa Royalty agreement, and a fair value liability of USD 3.6 million relating to commodity hedge arrangements.

The BlackRock royalty related to net proceeds received of USD 108.9 million in return for a 2% royalty calculated on iron ore sales from Marampa. The arrangement is non-recourse and is re-stated to fair value at each reporting date. The total liability at 31 December 2012 is USD 111.4 million, of which USD 105.5 million is non-current. The royalty is only due and payable on tonnes sold. Also included in other non-current liabilities is the Anglo Pacific Royalty agreement in respect of Isua (USD 29.5 million non-current).

Pro-forma net debt

	Year ended 31 December	
	2012 USDm	2011 USDm
Cash	**92.7**	67.8
Bank loans	**(91.4)**	(88.8)
Convertible bonds	**(97.6)**	(93.8)
Offtake financing	**(58.2)**	–
Total net debt	**(154.5)**	(114.8)

Pro-forma net debt has increased during the year to USD 154.5 million as a result of the USD 55 million offtake loan agreement with Vitol Group.

Post year end the Group has restructured its existing USD 90 million Corporate facility and signed a USD 165 million new facility with SCB, RMB and Ecobank. The increased facility will be used to repay the existing facility, and will enable the consolidation of unsecured loans into one facility at a lower interest cost.

The royalty agreements in respect of Marampa (BlackRock) and Isua (Anglo Pacific) are not considered as debt as these will be settled from cash flows generated from future operations.

3. Cash flow

Total cash increased during the year by USD 25.0 million to USD 92.7 million.

	Year ended 31 December	
	2012 USDm	2011 USDm
Cash flow from operating activities	**(30.8)**	(34.5)
Cash flow from investing activities	**(192.0)**	(192.9)
Cash flow from financing activities	**247.78**	218.5
Increase/(decrease) in cash	**25.0**	(8.9)
Exchange differences	**(0.1)**	0.7
Opening cash	**67.8**	76.0
Closing cash	**92.7**	67.8

i) Operating activities

	Year ended 31 December	
	2012 USD'000	2011 USD'000
Group EBITDA loss	**(14.2)**	(36.4)
Non-cash share-based charges	**5.8**	1.6
Movement in receivables	**(23.7)**	(2.8)
Movement in inventory	**(23.2)**	(2.9)
Movement in payables	**37.9**	13.1
Cash from operating activities (continuing operations)	**(17.2)**	(27.4)
Cash flow from discontinued operations	**(13.6)**	(7.1)
Cash flow from operating activities	**(30.8)**	(34.5)

Net cash outflow from continuing operations was USD 17.2 million – an improvement of USD 10.2 million from the prior year. This resulted from the positive EBITDA contribution from Marampa production, offset by an outflow from working capital. A USD 23.7 million increase in receivables relates primarily to invoiced revenues of USD 15.2 million. Movement in inventories reflects a build up of product inventory at Marampa. The increase in trade payables includes USD 25.0 million prepayment of revenues through the Glencore offtake agreement and higher creditors at Marampa from operational activities.

ii) Investing activities

Net cash outflow from investing activities was USD 192.0 million (2011: USD 192.9 million) and related to capital expenditure including:

- USD 169.5 million for the Marampa project.
- USD 7.5 million for the Isua project, relating to completion of the BFS and prior year creditors (USD 3.6 million) and on going permitting.
- USD 14.1 million from discontinued operations (relating to Colombia oven project and exploration).

iii) Financing activities

Net cash inflow from financing activities of USD 247.8 million (2011: USD 218.5 million) included:

- USD 108.9 million received from the BlackRock Royalty agreement.
- USD 87.1 million net equity proceeds.
- USD 53.4 million net proceeds received under an offtake and loan facility agreed with Vitol Group.
- USD 18.4 million net proceeds from the sale and leaseback in respect of the transhipment vessel.
- USD 21.6 million interest paid (on the SCB loan facility, convertible bond and FOTP finance lease).
- USD 1.2 million net proceeds on exercise of share options.

Financial review
continued

4. Liquidity and going concern

As at 31 December 2012, the Group had cash on hand of USD 92.7 million. On 18 March 2013, London Mining agreed a revised corporate debt facility of USD 165 million (with the potential to increase to USD 180 million), which will replace the previous USD 90 million Corporate facility which is repayable in October 2013 and enable the consolidation of certain unsecured loans into the one secured facility. The revised facility has a tenure of two years and ten months ending in January 2016 with the first repayment due in April 2014.

Prior to the drawdown of this facility, the Group must satisfy certain conditions precedent. These conditions are primarily procedural items and are within the control of management but also specifically include a requirement to convert the tailings resource of 34.5Mt to a 25Mt reserve, which will need to be completed by August 2013. The Group has engaged a third party consultant to complete this work and the Directors consider that the conversion is a matter of process with negligible risk. The Directors expect to drawdown the facility in early quarter two 2013.

In addition, the facility is subject to certain conditions subsequent. The Directors do not consider these conditions to be onerous and none require satisfaction within 12 months from the date of these financial statements. The facility agreement contains certain financial covenants all of which are forecast to be met.

London Mining has, assuming the USD 165 million facility can be drawn, sufficient cash resources to expand Marampa to a target production of 5Mtpa and to fund the other committed activities of the Group for at least 12 months from the date of these financial statements. Project funding for the more capital intensive projects in Greenland and Saudi Arabia will be sought from external sources into these projects directly, with financial and strategic partners being considered.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of project commissioning, show that, including the revised USD 165 million facility, the Group has sufficient liquidity to fund its committed expenditure. The Directors are satisfied that the Group will continue in operational existence for the foreseeable future; and accordingly the Group continues to adopt the going concern basis.

5. Treasury management and financial instruments

London Mining has entered into commodity price derivatives, which included additional hedges placed under the terms required for the new corporate facility, for 1,523,000dmt of 2013 production at an average CFR price of USD 126/dmt and 113,000dmt of 2014 production at an average CFR of USD 111/dmt in order to secure cashflow in a key stage of production growth. As a requirement of our new financing facility, we will be entering in to an ongoing hedging programme to protect against downside price movements over the next 15 months.

Details of treasury management and financial instruments are disclosed within note 31 to the financial statements.

6. Related party transactions

Related party transactions are disclosed in note 33.

7. Forward looking information

This financial report contains certain forward looking statements with respect to the Group's financial condition, results, operations and business. 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.

Sustainability

We have adopted a **more coherent and standardised reporting structure** and set out key performance indicators (KPIs) for 2013.

Our Board and Sustainability committee are committed to continuing the drive to improve London Mining's health and safety, economic, environmental and social performance and reporting. To this end, we have adopted a coherent and standardised reporting structure and set out key performance indicators (KPIs) for 2013, which can be built upon as the Group's monitoring procedures grow.

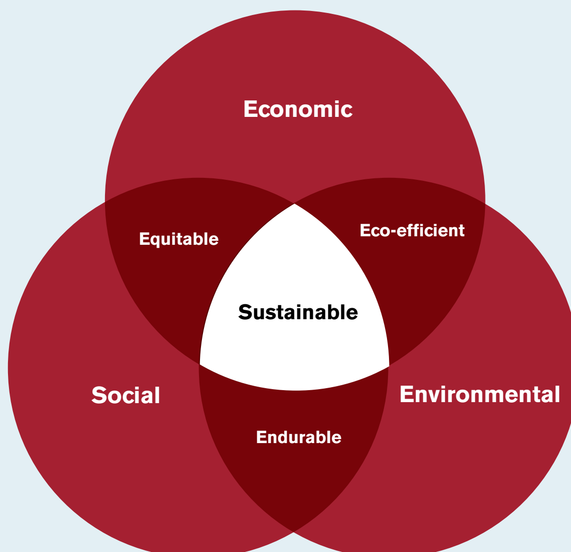
Our approach

Implementation of a successful sustainability strategy enables us to maximise value for all stakeholders and make a long term positive contribution where we operate. It gives us a competitive advantage by helping us:

- Manage risks effectively
- Reduce environmental impacts
- Preserve and maintain our social licence to operate
- Decrease operating costs
- Provide additional business opportunities
- Attract best in class employees
- Ensure their health and safety

Aspects of sustainability

We consider three key aspects of sustainability: economic, social and environmental.



Materiality assessment

Our objective this year was to identify the stakeholders at each of our sites that can be affected by our activities and whose actions can affect the ability of London Mining to successfully achieve its objectives. The following categories of stakeholders were used as a reference to complete the mapping:

- Government/regulators (national)
- Elected officials (local and national)
- NGOs (local, national and international)
- Media (local and national)
- Local community (including marginalised, vulnerable and minority groups such as aboriginal peoples)
- Social media
- Academics
- Private sector (local, national and international including contractors and sub-contractors)

With the participation of key departments at each operation and consulting with community stakeholders, we conducted an initial materiality assessment to highlight the significant sustainability issues. These were:

- The health and safety of employees and communities (all sites)
- Resettlement (only Sierra Leone)
- Local content (employment, contractors, services etc – all sites)
- The impact of operations on the environment (all sites)
- Taxes and payment to governments (all sites – subject to internal assurance)

In 2013 we hope to expand our assessment in line with the Global Reporting Initiative (GRI) guidelines (www.globalreporting.org). Performance data for a selection of our most material sustainable development issues is not yet subject to external assurance. Omission from the issues covered in our report does not mean that the issue is not managed by the Company. Please see our website for additional information.

Developing and implementing a sustainability framework

The Global Head of Sustainability is responsible for developing and leading the implementation of our sustainability vision, framework, and policies covering HSE, community and government relations based on industry best practices and international standards. The ultimate responsibility for health, safety, environmental, community and government relations remains with the Board.

Sustainability
continued

Our ongoing commitments

Through all stages of an operation's life we are committed to:

- Minimise any negative social and environmental impact of our operations.
- Give priority to establishing harmonious relations with communities where we operate.
- Complete an independent environmental and social impact assessment compliant with IFC standards.
- Implement environmental and social management plan with regular monitoring.
- Give priority to employment from communities where we operate.
- Optimise our use of energy, water and other natural resources. With regular monitoring to verify compliance and track improvements.
- Increase waste management resources to cope with increased consumption levels.
- Rehabilitate, remediate and restore land using indigenous plants.
- Advertise and manage grievance mechanisms.
- Ensure sufficient financial resources are set aside to meet closure obligations.
- At closure, ensure economic and social activities are in place to maintain the long term health of communities.

In addition, we are a signatory of several initiatives to show our commitment to becoming a fully sustainable and responsible company.

EITI

We have pledged to support the Extractive Industries Transparency Initiative (EITI) and to promote and initiate transparency in the revenues paid to governments and state-owned companies.

For more information on the EITI please visit: http://eiti.org

Voluntary principles on security and human rights

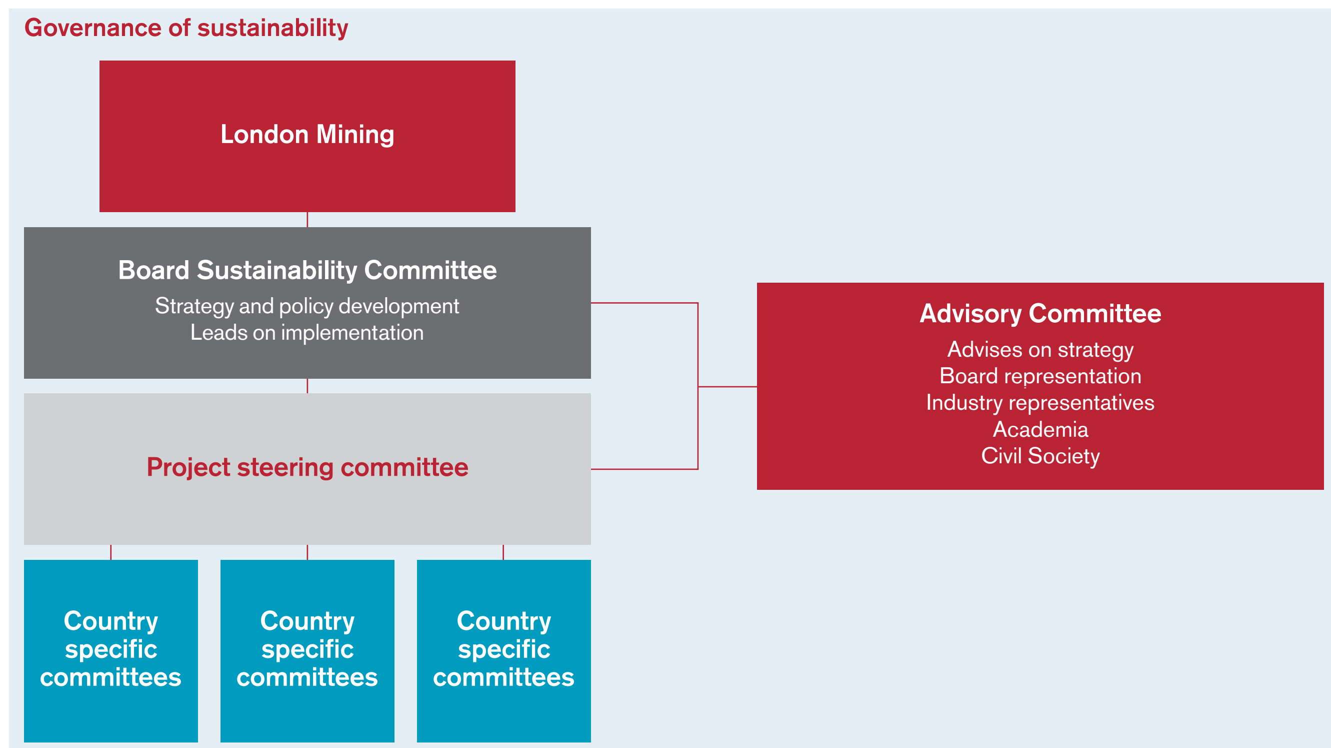
We have implemented the Voluntary Principles on Security and Human Rights and have developed an internal check list to ensure compliance across our mining operations.

For more information on the Voluntary Principles please visit: www.voluntaryprinciples.org/files/voluntary_principles_english.pdf

Bribery Act 2010

We are fully compliant with the UK Parliament's Bribery Act 2010. All London Mining staff and contractors are contractually bound to comply with our Anti-fraud, Bribery and Corruption Policy, which references the Act.

For more information on the Bribery Act please visit: http://www.legislation.gov.uk/ukpga/2010/23/contents



What we achieved in 2012

- The corporate sustainability vision, framework and governance was approved by the Board.
- HSE and community relation policies were reviewed and approved by the Board.
- Standards for communication and reporting significant incidents (fatalities/serious environmental and social incidents) within 24 hours were approved by the Board.
- Stakeholder mapping was completed in Sierra Leone, Colombia and Greenland.
- HSE and Community Critical High Risks were identified and mitigation plans approved by respective sites.
- The Sierra Leone community investment strategy was approved by site management.
- Voluntary Principles on Security and Human Rights were implemented in Sierra Leone and Colombia.
- The Company pledged to support the Extractive Industries Transparency Initiative (EITI).

Planning for the future

Our priorities for 2013 are to complete site stakeholder mapping and continue to engage with our shareholders, employees, communities and other key stakeholders. To realise this goal we will develop a communication and stakeholder engagement strategy based on key sustainable concerns expressed by categories of stakeholders, and review the main sustainable development trends in the mining sector and best industry practices. In addition, we will conduct health and safety diagnostics and complete the readiness analysis to establish KPIs and produce a GRI self-declare report. Our ultimate goal is to implement best industry practices.

We plan to:

- Leverage partnership funding and expertise to ensure sustainability projects are collaborative.
- Ensure sustainability is embedded within future business development projects and current capital investment projects in its regions.
- Ensure that all sustainability indicators are jointly agreed, monitored and evaluated with key stakeholders.

Partner with organisations that appreciate cross-sectoral collaboration as opportunities for value-creation.

Achieving sustainable business performance

Health and safety	Economic	Social (communities)	Environment
This year the Board reviewed health and safety corporate policy in line with our ongoing belief that a healthy workforce contributes to business success. We are committed to preventing new cases of occupational disease and strive towards zero harm by continually identifying, evaluating and controlling workplace exposure.	We manage our operations to share wealth by promoting regional economic development through local employability, procurement and economic diversification programs. In addition we encourage others to participate in sustainable development throughout the supply chain.	We engage with our stakeholders to create and support social, economic and political conditions that meet our business objectives and enhance people's fundamental needs.	We manage mining, processing residue storage and rehabilitation to reduce the impact of our operations on the environment and seek to be restorative.

Our strategy and key goals for 2013 to 2015

Health and safety

Short term (1 year)	Medium term (2 years)	Long term (3 years)
Reduce/eliminate recurring injuries through improvement in health and safe workplace behaviour.	Implement effective systems to ensure compliance with Company health and safety standards.	Implement hazardous operations and analysis risk assessment process to drive best practice. Comply with OSHA 18001.

Economic

Short term (1 year)	Medium term (2 years)	Long term (3 years)
Contribute to the development of the education and skills of the local population in order to develop and maintain the local labour pool.	Contribute to the development of small to medium-sized enterprises (SMEs) in order to develop and maintain the local pool of service providers.	Contribute to the local economic diversification.

Environment

Short term (1 year)	Medium term (2 years)	Long term (3 years)
Keep controlled emissions (dust, gas, and effluent) below permitted limits and reduce further where possible.	Adapt production techniques to minimise use of inputs and minimise waste.	Increase productive output while reducing the impact on the environment through new processes and technology. Comply with ISO 14000.

Social (community)

Short term (1 year)	Medium term (2 years)	Long term (3 years)
Support the modernisation of local community infrastructure and services in order to improve living conditions. Conduct successful negotiations with local communities in order to facilitate land access for mining operation.	Align the growth of operations with land acquisition and urban planning in order to ensure healthy rural and urban living conditions.	Work jointly with communities to create new infrastructure, social programs and leisure activities.

We have a "zer0 tolerance, target zer0" approach to safety. This requires constant attention and training.

Marampa, Sierra Leone

Health and safety

At Marampa our health and safety management is founded on "zer0 tolerance, target zer0" – an approach to safety that requires an absolute adherence to standards at all times and an intolerance of unsafe acts or conditions.

To this end, all workers go through a safety induction before joining the team. On completing the training, they are given full personal protection equipment and supplied with a badge containing basic safety rules and responsibilities. Every safety breach or event is recorded. Incidents are infrequent and decreasing.

There was a general improvement in the number of lost time injuries over the year, with an average lost time injury rate of 0.96. However an incident at our shiploading operations in December led to the fatality of one of our contractors. A full review has been completed and improvements have been implemented to our safety procedures. We aim to significantly improve our health and safety performance in 2013.

Marampa 2012 social KPIs

We have started to report several social KPIs to monitor the performance of our community engagement programme and to ensure we follow up on our commitments to local stakeholders.

KPIs	Performance
Resolve all complaints	**95%** 39 complaints resolved. Two remained unresolved at the end of the year.
Execute all planned community projects	**100%** All 26 projects were executed.
London Mining to hold 16 meetings with all stakeholders. (Monthly community meetings and quarterly steering committee meetings)	**94%** 11 community meetings and four steering committee meetings held. One community meeting was not held due to the November 2012 General Election in Sierra Leone.

Social (communities)

We believe engaging stakeholders is crucial to the success of every project. In order to maintain and preserve our social licence to operate, we manage our communication channels with local communities through a dedicated steering committee made up of representatives from major demographic groups in the region. The committee meets regularly to discuss any issues and to learn about the project's development. This two-way exchange of information helps both sides gain a better understanding of the mutual risks and opportunities surrounding the project and allows for a more open and flexible working relationship with the local communities. A public information centre in the neighbouring town of Lunsar has been set up where people are able to access information about our operations.

A grievance procedure is made available through public meetings and discussions with community leaders. The aim of the grievance procedure is to ensure grievances are acknowledged and logged and that the complainant knows what to expect in response and by when.

We have made significant strides in the formulation of a Community Development Agreement (CDA) with all key stakeholders. This document is at its validation stage for stakeholders' signature and Government of Sierra Leone's approval.

Our contribution in 2012

Sierra Leone is at the bottom of the UN Human Development Index. It faces high disease, high unemployment levels and low levels of education and skills training.

- We run scholarship programs in schools within the Marampa and Maforki Chiefdoms in Port Loko as well as distributing over 8,000 exercise books to school children during 2011/2012 school year. In all, over 750 scholarships have been awarded to children in both primary and secondary schools in the chiefdoms.
- We donated over 1,000 litres of fluids and 20,000 antibiotics to the Port Loko District Government Hospital as an emergency support to help stem a cholera outbreak in Sierra Leone. We also air-freighted additional medical supplies worth USD 38, 000 for the treatment of cholera in the district.
- We have developed a program to prevent and treat HIV/AIDS with Business Coalition in Sierra Leone to be launched in 2013. We are also supporting government initiatives for good health care delivering services through the establishment of a medical drug store at a major military hospital in Freetown.
- We support local government in the Community Led Total Sanitation (CLTS) Program, a government led program to improve access to safe water and hygiene practices through the construction of 25 wells in over 10 communities serving more than 3,000 people.
- We assisted the Sierra Leone National Registration Office to have our local workforce supplied with National ID cards. This will not only provide accurate and reliable data on employees working at our site, it will also mean our employees can register and vote in elections.

Sustainability
continued

Our Isua project is predicted to **employ up to 450 local people** once in steady state operations.

Environment

We carry out thorough environmental monitoring to ensure any changes resulting from the mining operations are quickly discovered and can be acted upon to minimise the disturbance to local habitats and communities. As well as noise and dust monitoring, there are 42 water monitoring points in and around Marampa and the Thofeyim River Terminal concession. These monitoring points include rivers and lakes in the concession and wells in the communities surrounding the LMC concession. Samples are collected and analysed on a fortnightly basis. Marampa's environmental impact assessment (EIA) was submitted in 2011 and an Environmental License for the whole project was issued in 2012, and is subject to annual renewal based on compliance with the original plan submitted. 2013 annual renewal was approved in December 2012.

Economic

Iron ore mining contributed significantly to GDP growth in Sierra Leone in 2012. The start of production at Marampa in January 2012 signalled the commencement of royalty payments to the Government of Sierra Leone and the implementation of the community investment strategy for regional and national development projects.

We are constantly looking for practical ways to increase the local content of all our projects. We currently employ around 1,000 local people at the mine site and our office in Freetown. We are training and improving the skills of our employees to ensure a sustainable future work force for the mine while creating a newly skilled generation of Sierra Leoneans to fuel the country's growing economy. We have also modified our procurement processes in order to enable local businesses to have increased ability with larger international organisations to supply the site. This has included breaking down larger orders into smaller, more manageable pieces and reducing the turnaround time for invoices to allow for smaller businesses with tighter working capital considerations and subsequently promoting the Government of Sierra Leone's local content policy.

We have actively contributed to the process of re-establishing the Chamber of Mines in Sierra Leone after several years of inactivity.

Our contribution in 2012

- We employ over 1,000 people from Sierra Leone.
- We support a University Internship Program for 37 students in collaboration with UNDP, Restless Development and National Youth Commission (NAYCOM).
- We signed a Public Private Partnership (PPP) between London Mining, GIZ and St. Joseph Technical School for an Adult Functional Literacy, Technical and Vocational Training program to be launched in 2013.

Sierra Leone	2012	2011
Royalties, taxes and fees	**USD 10,782,000**	USD 1,057,000

Isua, Greenland

Social (communities)

At Isua we have completed the Social Impact Assessment (SIA) in compliance with Greenland Government requirements and the specification for preparing mining project SIAs.

The SIA report has concluded that there are no significant negative social impacts. On the contrary, the project will bring significant benefits to Greenland. These benefits include direct and indirect employment, training, and numerous business opportunities for local enterprises and a large amount of taxes which could be significant for the sustainable development of Greenland.

In addition to the many consultations, workshops and interviews with the local community that took place as part of the SIA work, we carried out a series of 12 consultation sessions with the public, and three public information meetings. All the meetings were announced in the local TV and newspapers. In addition, we established a project information centre in February 2012 which is open every afternoon on most work days to provide specific project information. A Project Advisory Committee was also set up which gathers leaders of the community such as the Employer Association, the Labor Union, the Hunter and Fishermen Association, the Business Council and other civil organisations. The Advisory Committee meets regularly to share project information, viewpoints, issues and suggestions.

Environment

Our Isua project has followed the Greenland governmental requirements and high international standards on baseline data, engineering and environmental studies.

Starting in 2007, we have completed four full seasons of baseline data collection that fulfilled and exceeded the guideline requirements. The field work and studies for the environmental baseline in the project area covered vegetation, caribou population, birds, existing water quality conditions, hydrology, permafrost, hydrogeology, bathymetry, fish habitats assessment, sea mammals, archaeological surveys, glacier melting rate and glacier movement studies.

Our priorities for 2013 are to complete site stakeholder mapping and continue to engage with our shareholders, employees, communities and other key stakeholders.

Environmental work for the Isua project was carried out by qualified international companies that are specialised in environmental testing, the cold regions mining environment and engineering. These companies include SNC-Lavalin Inc. (Canada), Orbicon (Denmark), SGS Mineral Services (Canada), Amec (Canada), Golder (Sweden), and BCG engineering (Canada). The EIA is comprehensive and has concluded that there are no significant environmental impacts.

Economic

Our Isua project is predicted to employ up to 450 local people once in steady state operations. This number will build over the first five years of the mine life as local people are trained in the skills to take the place of overseas workers. These overseas workers will initially help to provide the knowledge and capacity to train the Greenlandic in the necessary operations. We aim to hire as many local people as possible who have shown the ability to learn and develop, into positions of responsibility. As the Greenlandic workforce grows, so does the contribution from our project into the local economy. This in turn increases our economic support of Greenland's public and private sector.

Greenland	2012	2011
Taxes and fees	**USD 96,000**	USD 37,000

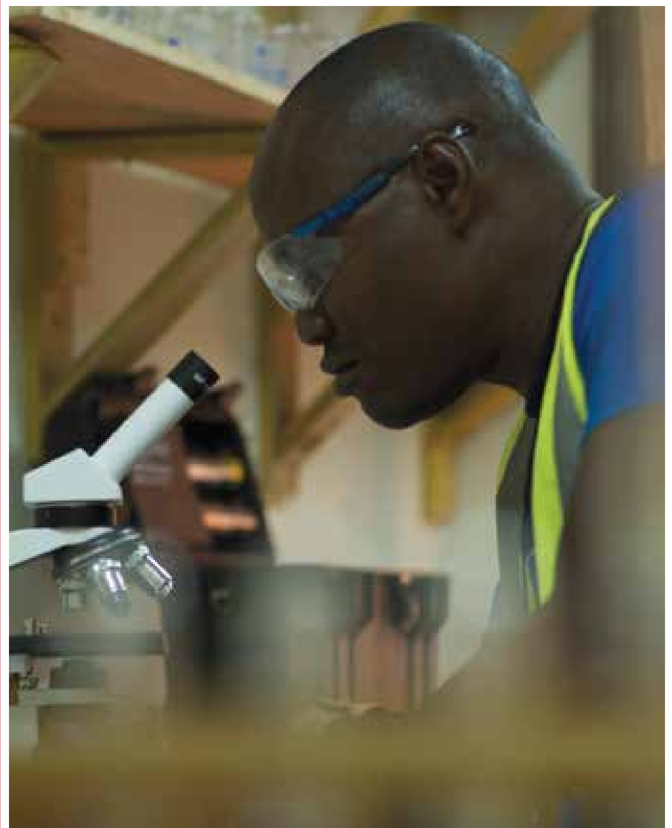
Wadi Sawawin, Saudi Arabia

In conjunction with our partner National Mining Company, we have commissioned social and health impact assessments as well as an environmental impact assessment as part of the 2010 Bankable Feasibility Study (BFS) of the proposal to develop the Wadi Sawawin iron ore deposits in north-western Saudi Arabia. The studies were undertaken in accordance with Kingdom of Saudi Arabia legislation, as well as IFC standards.

Colombia

Following the strategic decision to exit the business in Colombia, our ongoing and transparent relations with local stakeholders allowed us to manage the transition of our coke producing business into care and maintenance without incident in January 2013. In order to minimise impact of the new situation, we focussed on three areas:

- Adequate management of labour contract cancellation, whereby we offered an agreement surpassing Colombian labour legal requirements. The response from our workers was very positive.
- Prevention and/or mitigation of potential environmental impacts related with the care and maintenance phase and to ensure compliance with Colombian legislation.
- Community engagement based on the principles of respect and social responsibility toward a community for which we became a source of employment. Our short term plan addresses training processes enabling members of the community to improve their skills and enhance their opportunities at new job searches or at starting up their own business; a mid-term plan (three years) is to generate new job opportunities as an alternative to mining through a public-private initiative with CIDA (Canadian International Development Agency), SOCODEVI (Canadian Cooperation Society for International Development) and Minas Paz de Rio (a local mining company).



Principal risks and uncertainties

The effective management of risks is a key feature in the continuing success of London Mining.

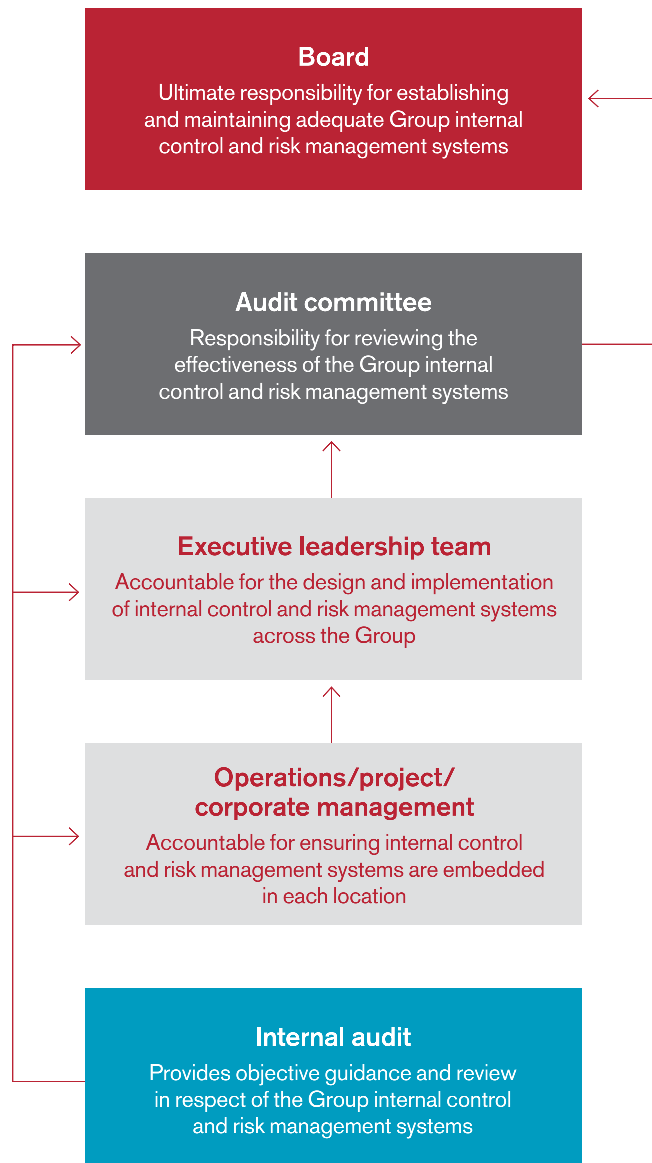
The Board and Senior Management of London Mining are committed to understanding and managing risks that threaten the achievement of long term strategic goals and day-to-day operational objectives.

London Mining are exposed to a variety of risks and uncertainties and these are considered in line with our risk management procedures discussed in the Governance section on page 62. Our risk management process includes:

1. **Identifying and evaluating risks**
2. **Designing and implementing responses**
3. **Monitoring risks and actions**

We have categorised our principal risks and uncertainties in line with our core strategic competencies.

Internal control and risk management framework



Operational excellence

Project delivery

Risk	Impact	Mitigation
The delivery of large scale development projects involves a number of risks to completion, some of which are outside our control. These include the effect of the weather, technical uncertainties, infrastructure constraints, skill shortages and financing availability.	Restrictions in the ability to develop projects or delays in project completion could lead to increased project costs and delays in the realisation of production volumes or operational cost savings.	We have detailed project planning processes including the development of comprehensive timetables and budgets. Our executive management is closely involved in projects which are material to the Group. Recognising the importance of the expansionary projects being carried out at the same time as operations at Marampa, we allocated separate leadership responsibility between country operational management and a separate project team during 2012.

Export logistics

Risk	Impact	Mitigation
Revenues depend on secure logistics to deliver product to market, in particular the barging and transhipment solution at Marampa. Logistics could be impacted by marine risks including poor navigation, inadequate dredging, adverse weather and marine traffic. The successful expansion of our logistics solution is critical during 2013 due to the increased production volumes expected during the period.	Disruptions to export logistics could impact our ability to deliver product to market which could materially affect revenues and profitability. A failure in our transhipment solution at Marampa could also decrease the ability to meet the shipping plan.	We carefully plan and review logistics arrangements, taking into account the expected increase in production over the course of 2013. We have engaged specialist contractors with appropriate experience to operate logistics solutions and we regularly monitor their performance. A second transhipment vessel was mobilised in early 2013 to mitigate the risk in transhipment operations by providing back-up to the existing transhipment solution, while also providing accelerated and multiple vessel loading capability.

Supply risks

Risk	Impact	Mitigation
The inability to supply key materials or equipment in a timely manner to operational locations, and certain key items with long replacement lead times could result in production delays.	Production could be delayed or shut down due to a lack of materials or equipment which could significantly impact cash flow and profitability.	We work closely with key suppliers in order to prevent delays in delivery of equipment. Contingency plans are in place to address issues around potential key bottlenecks, including the identification of critical spares. A procurement import management team is in place managing the movement of materials into the country.

Principal risks and uncertainties
continued

Strong growth pipeline

Acquisitions, investments and divestments

Risk	Impact	Mitigation
The assumptions considered in the business case for investments or acquisitions may not be delivered due to changes in market conditions. Similarly, changing market conditions could affect the timing of divestments or the value realised.	Shareholder return could be adversely affected if investments, acquisitions or divestments do not deliver expected returns.	The Board is responsible for determining business strategy and appropriate authority is granted to executive and project management. Decisions on acquisitions, investments and divestments are based on financial and strategic metrics and are assessed and prioritised accordingly.

Licences and permits

Risk	Impact	Mitigation
We depend on the granting and renewal of mining and exploration licences and associated permits in order to explore for and produce mineral resources.	Failure or delay in obtaining or renewing a licence or permit could have a material adverse impact on our operations and expansion plans, and in turn on London Mining's share price and financial performance.	We have established processes to monitor licences and permits on an ongoing basis to ensure we comply with all requirements and undertake appropriate renewal activities.

Reserves and resources

Risk	Impact	Mitigation
There are inherent uncertainties in estimating mineral reserves and resources. Assumptions include long term commodity price and cost estimates, which are subject to volatility, and an assessment of the technical viability of mining.	There is no guarantee that estimated mineral resources can be recovered through mining activities. If we cannot access reserves and resources, future profitability may be impacted.	Reserves and resources estimates are prepared using industry standard JORC methodologies to reduce the risk.

Exploration

Risk	Impact	Mitigation
Exploration activity is by nature a speculative activity with no guarantee of success. The recoverability of the costs involved largely depends on the success of the activity.	Failure to discover new mineral resources of sufficient economic value could adversely impact our financial position.	We have an experienced exploration team of suitably qualified personnel. We target and monitor exploration activities to maximise the opportunity for efficient resource development.

Strategic partnerships and funding

Liquidity

Risk	Impact	Mitigation
We may not be able to secure sufficient financing to meet liabilities as they fall due and as a result could cease trading. We must comply with all covenants to ensure loan facilities are not in default. Volatility in capital and credit markets could reduce our ability to raise finance and to service current debt and obligations.	If we are unable to raise and maintain adequate funding this may mean we are unable to develop and/or meet our operational commitments and business strategy. This could result in delays to development and reduced profitability.	We seek to monitor our cash flow forecasts closely and regularly reforecast our cash flows to ensure there are sufficient committed funds in place to meet all committed expenditures for the foreseeable future. The Board periodically reviews and monitors business plans.

Project funding

Risk	Impact	Mitigation
We will require external financing to develop certain capital intensive projects, such as Greenland and Saudi Arabia.	If we are unable to find suitable funding partners we may not be able to develop projects in line with our business strategy.	The Board regularly discusses the funding strategy for key projects. Management has processes in place to identify and realise appropriate funding relationships.

Political, legal and regulatory developments

Risk	Impact	Mitigation
We are exposed to political and regulatory developments in the countries where we operate, including Sierra Leone, Colombia, Greenland and Saudi Arabia. The impact of local political developments or changes in fiscal or mining regulations can be beyond our control.	Potential impacts could include political instability, civil unrest, termination of existing agreements, loss of licences or permits, expropriation of assets, the imposition of increased royalties or taxes, or restrictions on exports.	We monitor political and regulatory developments and seek to positively influence significant changes through active dialogue with governments, international agencies, NGOs and all other appropriate parties.

Principal risks and uncertainties
continued

High performance culture and people

Key personnel

Risk	Impact	Mitigation
Strong competition for experienced mining personnel may lead to the loss of critical personnel or inability to recruit suitable candidates.	Our success may be impaired if we cannot attract or retain the services of experienced and high performing staff.	We carry out regular reviews of remuneration and incentive plans in order to attract, retain and incentivise key employees.

Staff succession planning

Risk	Impact	Mitigation
We could fail to adequately prepare for planned and unplanned staff departures, particularly key management.	This could lead to significant and sudden loss of knowledge/skills; reduced efficiency and effectiveness; and delayed project delivery or business development.	Succession planning is an important issue on both the Board and Executive leadership team agendas.

Anti-fraud, bribery and corruption

Risk	Impact	Mitigation
We operate in jurisdictions where the perceived risk of corruption is high. While we have governance processes in place to mitigate the risk of fraud, corruption and other unethical behaviour these do not guarantee this will not take place.	Fraudulent acts could result in financial loss to the Group. Further potential impacts of unethical behaviour could be fines, penalties, prosecution, loss of licences and damage to our reputation.	We have documented policies relating to business conduct and adopt a zero tolerance approach to deviations. An anti-corruption training program is in place for employees, including specific training targeted at senior management and employees in key finance and procurement roles.

Financial performance

Commodity price volatility

Risk	Impact	Mitigation
The commodity prices for iron ore and coal are strongly influenced by macroeconomic factors, particularly Chinese demand for iron ore.	Our share price and financial results can be adversely affected by declines in commodity prices.	During the current period of expansion at Marampa, we hedged a portion of 2012 production. We have also entered into contracts to hedge a portion of 2013 production, to reduce the risk of cash flow volatility due to commodity price movements. A more detailed policy for hedging and price management is being developed.

Currency fluctuations

Risk	Impact	Mitigation
The Company's functional currency is USD. Revenues from iron and coal are denominated in USD while our costs are incurred in several currencies.	Fluctuations in exchange rates, specifically GBP sterling and the Sierra Leonean Leone, may adversely impact costs and financial results.	Our policy is to negotiate all contracts and costs where possible in USD.

Financial performance

Cost control

Risk	Impact	Mitigation
Operating costs include inputs which are susceptible to inflationary and supply and demand pressures, including fuel, labour and equipment costs. Any variance in production quantities compared to budget may also lead to an unforeseen change in operating costs.	Unforeseen increases in the cost of inputs or reductions in production volumes could lead to a deterioration in our financial results.	We monitor operating cost performance continually through budgets, reports and management meetings. Where possible, contracts are secured on a performance basis to ensure alignment with output.

Insurance

Risk	Impact	Mitigation
Policy cover may not provide sufficient coverage for all potential insurance risks which may arise.	We may suffer financial losses if uninsured risks materialise.	We monitor insurance policies on a regular basis in conjunction with insurance specialists. We carry out insurance risk workshops at key operations.

Underpinned by safety and security

Health, safety and environmental standards

Risk	Impact	Mitigation
Mining is an inherently hazardous industry due to the nature of operations and working conditions. Failure to maintain the highest levels of health, safety and environmental (HSE) discipline could lead to accidents that cause harm to individuals working at our operations or within the surrounding communities, and environmental incidents, such as uncontrolled breaches of tailings dam facilities or dust pollution.	In addition to any potential injury or environmental damage caused, incidents may give rise to fines, penalties and litigation. HSE incidents may also adversely affect our reputation and licences to operate.	We take health, safety and environmental risks very seriously and operate a zero-tolerance approach to non-compliance in this area. Unfortunately London Mining suffered the first fatality at an operation during 2012. In response, we undertook a rigorous investigation process in order to ensure that steps are taken to reduce the risk of similar incidents arising.

Social and community

Risk	Impact	Mitigation
We operate in close proximity to local communities that may be unsupportive of our activities. In particular, the development at Marampa involves the resettlement of communities.	Failure to properly engage and manage local communities could result in prolonged disputes which could cause increased costs, project delays and reputational damage.	We have established a comprehensive process for proactively engaging and involving communities surrounding our operations and for dealing promptly with any potential disputes. Board members attend a Corporate Sustainability Advisory Committee in order to monitor and manage the impacts of our activities on the local environment.

Governance

An explanation of our approach

Pride of Marampa

The Pride of Marampa floating offshore transhipment platform (FOTP) is able to load ships at a rate of 20,000t per day.

>2 billion

tonnes
of attributable iron ore resources

Board of Directors

01. Dr Colin Knight
Non-Executive Chairman (Age 79)

Colin was appointed as a Non-Executive Director and Chairman of London Mining on 14 June 2005. He is a mining engineer and economic geologist and, since 1983, has consulted on mining finance, policy and projects worldwide for London stockbrokers and banks, and for the World Bank and Commonwealth Secretariat in developing countries in Africa.

After military service in the Royal Engineers, Colin spent some 18 years in the Canadian mining industry, including exploration, operations, mining finance and ultimately consulting. He returned to the UK in 1974, working for the Rio Tinto Group in London in European and overseas exploration, budget control, project appraisal and negotiations with joint venture partners and governments. Colin qualified in mining engineering at the Camborne School of Mines and holds a degree in Economic Geology and a PhD from the University of Toronto. His membership of professional associations includes FIMM (now FIMMM), CEng., PEng (Canada).

02. Michael Miles OBE
Non-Executive Director (Age 76)

Michael joined the Board of London Mining in December 2012 as a Non-Executive Director and Chairman elect. Michael brings extensive and varied global business and FTSE 100 board governance experience to the London Mining Board.

Michael was until recently chairman of Schroders and previously chairman of Johnson Matthey Plc. He has served on the boards of BP (including as chairman of its pension trustees), China Britain Trade Group, Hong Kong Association, Balfour Beatty and Portals. Through his former chairmanships and earlier career with the Swire Group and Cathay Pacific, Michael has extensive experience in the Far East/China, the most important market for iron ore and a key part of London Mining's long term customer and partnering strategy.

03. Sir Nicholas Bonsor
Non-Executive Deputy Chairman (Age 70)

Sir Nicholas was appointed to the Board on 1 September 2007 as a Non-Executive Director. A barrister, he practised in a Common Law Chambers from 1967 to 1975 and as a specialist in regulatory and commercial law from 2003 to 2011.

Sir Nicholas was a member of British Parliament from 1979 to 1997 where he specialised in foreign affairs and defence, was chairman of the Defence Select Committee from 1992 to 1995 and Minister of State at the Foreign Office from 1995 to 1997. Sir Nicholas has served on the Council of Lloyd's 1987-91 and on the boards of several companies including Blue Note Mining Inc and Forest Gate Inc (Canada). He is currently chairman of Cassidy Gold Inc. Metallon Gold Plc and Tomco Energy Plc. He is a Deputy Lieutenant of Buckinghamshire, a freeman of the City of London (1988), a member of the Chartered Institute of Arbitrators and a fellow of the Royal Society of Arts. Sir Nicholas holds a Master of Arts degree in Jurisprudence from Oxford University.

04. Graeme Hossie
Chief Executive Officer (Age 48)

Graeme co-founded London Mining in early 2005 and has been instrumental in building the Group from its inception to its current status as one of the leading emerging new producers for the global steel industry. He has driven the overall development of the Group's expanding iron and coal projects and international management team as well as fund raisings and share placings of over USD 600 million, asset and Company acquisitions, the establishment of offtake and strategic relationships, and the IPOs on Oslo Axess and the London AIM stock exchanges.

Graeme led the acquisition in 2007, successful development plan (10-fold production growth) and subsequent disposal in 2008 of the Group's Brazilian operations for a 1,200% return on investment. This led to full Group debt repayment, a GBP 220 million special shareholder dividend and an ongoing capital investment program to develop the Group's other projects, in particular the Sierra Leone operation which began production, exports and 5Mtpa ramp up within 22 months of receiving Government and full Parliamentary approvals to develop the greenfield site. Prior to founding London Mining, Graeme ran a venture development consultancy assisting natural resource industry and high growth venture companies. He has founded and developed new ventures as principal, adviser and executive in several industries including natural resources, media and consumer products. Graeme was previously a management consultant with Bain and Company in London and in venture capital and innovation consulting with Piper Trust. Graeme holds a Business degree from Ivey at the University of Western Ontario.

05. Rachel Rhodes
Chief Financial Officer (Age 42)

Rachel was appointed to the Board on 4 September 2008 as Chief Financial Officer and during her time at London Mining has successfully listed the Company on AIM and been integral in raising Group and project finance of around USD 400 million.

She is a member of the Institute of Chartered Accountants in England and Wales, having qualified with Coopers and Lybrand in London in 1996. She has over 15 years' experience in the mining sector, including five years in key financial roles with Anglo American Plc where she successfully led major corporate transactions. Rachel holds a Master of Arts degree in Economics from Cambridge University.

06. Benjamin Lee
Corporate Development Director (Age 41)

Benjamin is involved in all the financing and strategic aspects of current and future projects. Prior to joining London Mining in early 2009, Benjamin was head of UK Mergers and Acquisitions at Kaupthing Bank in London from 2007 to 2008. Among a number of transactions completed there, he was the lead adviser to London Mining on the disposal of their Brazilian iron ore mine.

Prior to joining Kaupthing, Benjamin worked for 13 years in mergers and acquisitions at UBS in London and New York, advising on a wide variety of transactions for large and mid-sized companies. Benjamin graduated from Cambridge University in 1993 with a Master of Arts degree in Economics.

07. Luciano Ramos
Non-Executive Director (Age 53)

Luciano is a mining engineer and has worked for over 29 years in the Brazilian mining industry including 15 years at CVRD/Vale between 1992 and 2007.

He has also worked on international projects in Australia and Chile. Luciano has particular expertise in the management and coordination of process engineering at iron, gold, bauxite, kaolin and manganese plants; project implementation for both greenfield and brownfield operations; project coordination for the manufacturing of mineral processing equipment; management of processing operations; and technological research and development.

08. Malcolm Groat
Non-Executive Director (Age 52)

Malcolm was appointed to the Board on 4 September 2008 as a Non-Executive Director having previously held the position of part time Finance Director from June 2007. He is a fellow of the Royal Society for the encouragement of Arts, Manufactures and Commerce, a fellow of the Institute of Directors, and a fellow of the Institute of Chartered Accountants in England and Wales.

Malcolm has held the office of Finance Director for large global businesses in engineering, construction and financial services. In mining, his past directorships include PLCs operating in India, Mongolia and Indonesia, mining for bulk commodities and for precious metals. As a Non-Executive, Malcolm has chaired board committees for publicly held companies operating in a number of sectors. He also chairs the governance advisory board of an international consulting firm.

Before his career as a PLC director, Malcolm qualified with Price Waterhouse in London and worked internationally in corporate finance. He holds a Master of Arts degree in Modern History and International Politics from St. Andrews University and an MBA from Warwick University.

09. Colin Harris
Non-Executive Director (Age 66)

Colin has been working as an exploration geologist for over 40 years and has a wealth of experience in the generation, exploration and evaluation of projects covering a variety of commodities and deposit styles in over 25 countries, mainly in Africa and Europe.

He has worked for major international mining companies including Anglo American, Cominco and more recently Rio Tinto. During his 18 years at Rio Tinto, Colin managed multi-million dollar programs which included the evaluation of iron ore deposits in Greenland, Scandinavia, Mali, Mauritania, Algeria, Morocco, Liberia, Senegal and Sierra Leone. Between 1998 and 2008 he headed up the team evaluating the world-class Simandou iron ore project in the Republic of Guinea. Colin resigned from Rio Tinto in 2008 and joined the Zanaga team later in the year as project director. He stepped down from this position after the exercise of the Xstrata Call Option. Colin is also a Non-Executive Director of AIM-listed Ncondezi Coal Company Limited.

Executive leadership team

01. Graeme Hossie
Chief Executive Officer

Graeme co-founded London Mining in early 2005 and has been instrumental in building the Group from its inception to its current status as one of the leading emerging new producers for the global steel industry. He has driven the overall development of the Group's expanding iron and coal projects and international management team as well as fund raisings and share placings of over USD 600 million, asset and Company acquisitions, the establishment of offtake and strategic relationships, and the IPOs on Oslo Axess and the London AIM stock exchanges.

Graeme led the acquisition in 2007, successful development plan (10-fold production growth) and subsequent disposal in 2008 of the Group's Brazilian operations for 1,200% return on investment. This led to full Group debt repayment, a GBP 220 million special shareholder dividend and an ongoing capital investment program to develop the Group's other projects, in particular the Sierra Leone operation which began production, exports and 5Mtpa ramp up within 22 months of receiving Government and full Parliamentary approvals to develop the greenfield site. Prior to founding London Mining, Graeme ran a venture development consultancy assisting natural resource industry and high growth venture companies. He has founded and developed new ventures as principal, adviser and executive in several industries including natural resources, media and consumer products. Graeme was previously a management consultant with Bain and Company in London, and in venture capital and innovation consulting with Piper Trust. Graeme holds a Business degree from Ivey at the University of Western Ontario.

02. Rachel Rhodes
Chief Financial Officer

Rachel was appointed to the Board on 4 September 2008 as Chief Financial Officer and during her time at London Mining has successfully listed the Company on AIM and been integral in raising Group and project finance of around USD 400 million.

She is a member of the Institute of Chartered Accountants in England and Wales, having qualified with Coopers and Lybrand in London in 1996. She has over 15 years' experience in the mining sector, including five years in key financial roles with Anglo American Plc where she successfully led major corporate transactions. Rachel holds a Master of Arts degree in Economics from Cambridge University.

03. Jim North
Chief Operating Officer

Jim has over 20 years' experience in mining and minerals processing having worked with BHP Billiton, Rio Tinto, BMA Coal and Mount Isa Mines.

In addition to his extensive iron ore experience, Jim has significant African mining experience, having worked as the General Manager of Operations at BHP Billiton's Mozal aluminium smelter in Mozambique. Jim is a metallurgist and has a bachelor's degree in Business Management.

04. Benjamin Lee
Corporate Development Director

Benjamin is involved in all the financing and strategic aspects of current and future projects. Prior to joining London Mining in early 2009, Benjamin was head of UK Mergers and Acquisitions at Kaupthing Bank in London from 2007 to 2008. Among a number of transactions completed there, he was the lead adviser to London Mining on the disposal of their Brazilian iron ore mine.

Prior to joining Kaupthing, Benjamin worked for 13 years in mergers and acquisitions at UBS in London and New York, advising on a wide variety of transactions for large and mid-sized companies. Benjamin graduated from Cambridge University in 1993 with a Master of Arts degree in Economics.

05. Renato De Almeida
Chief Marketing Officer

Renato brings over 27 years' experience in iron ore, including the last 14 years in lead marketing, commercial and strategy roles for Vale and MBR, where he had been Managing Director in Vale Asia KK, MBR Commercial Director, Rio Doce International Director and Marketing General Manager in Iron Ore Division in Vale.

Prior to marketing roles at Vale, Renato covered areas involving technical marketing support, quality control systems, implementation of rationalisation processes, industrial engineering, training and development, supply chain coordination, production planning and product delivery. He has also been a board member of MBR, California Steel Industries and Vice President of the Brazil-Japan Chamber of Commerce. He holds an MBA from Fundação Dom Cabral, a postgraduate degree in international commerce from Solvay, Université Libre de Bruxelles and strategic marketing from INSEAD, and a mechanical engineering qualification from Universidade Federal de Minas Gerais. Renato has also participated in training programs in IMD, Switzerland and MIT, USA. Renato plays a key role in London Mining's commercial and strategic development as well as in operational performance initiatives as we deliver significant production expansion in the next few years.

06. Thomas Credland
Head of Investor Relations

Thomas has over 10 years' experience in mining and capital markets. A geologist by training, Thomas joined London Mining in April 2009.

Before joining London Mining, Thomas worked in institutional equity sales at Canaccord, specialising in natural resources companies. Prior to this he was a mining analyst with Brook Hunt and Associates. Thomas has also worked in exploration and mining operations in Western Australia. He holds a BSc (Honours) degree in Geology from the University of Edinburgh and an MSc in Mineral Project Appraisal from the Royal School of Mines at Imperial College.

07. Rohit Bhoothalingam
Head of Legal, Company Secretary

Rohit joined London Mining in December 2008 and has overall responsibility for the Group legal and company secretarial functions. Prior to this he was General Counsel at a London based natural resources focused hedge fund. In his over four years at London Mining, Rohit has advised on the legal aspects of a number of transactions including its AIM listing, AIM equity raise, joint ventures, asset acquisitions and disposals, convertible bond and project financings, term and syndicated loans, and offtake, royalty and ship financing. In addition he has negotiated and advised on key commercial, operating and marine contracts and managed material litigation for the Company. In his company secretarial role, he advises Directors on the functioning of the Board including all aspects of corporate governance.

Prior to joining London Mining, Rohit specialised in various aspects of corporate finance and project finance, advising large and mid-sized companies, banks, venture capital and private equity firms at US law firms Wilmer Hale, in London and New York, and Orrick, Herrington and Sutcliffe in New York. Rohit studied law at Cambridge University, holds a Masters in Law from Georgetown University Law Center and is a member of the New York Bar.

08. Claude Perras
Head of Sustainability

Claude brings over 25 years' experience in senior management in global corporations and international development organisations including NGOs. Previously with Rio Tinto, where he was Director of Sustainable Development and Community Relations, Claude has broad international skills, having gained significant mining experience in Canada, Africa, the Americas, the Asia Pacific region and Eastern Europe.

He has in-depth understanding of strategies and mechanisms within sustainability development, stakeholder engagement and community-based socio-economic development within the mining industry and NGO sector. Claude has a Master's degree in Management from McGill University, Montreal; a Bachelor's degree in Social Science with double major in Politics and Economics from the University of Ottawa and a Diploma in Social Development from the Coady International Institute of Antigonish, Nova Scotia.

09. Rosh Bardien
Head of Group Human Resources

Rosh has over 17 years' experience in human resources and industrial relations of which ten years has been spent in the mining industry.

Rosh previously worked for Riversdale Mining (now Rio Tinto), an Australian company with operations in Africa. Before that she was HR Director for one of Mvelaphanda's subsidiaries – Royal Sechaba.

Rosh has been responsible for setting up world-class training facilities, managing and implementing corporate leadership programs, negotiating collective agreements and managing and maintaining industrial peace, implementing organisational structure and design processes and implementing human resources management information systems globally.

Corporate governance report

Dear Shareholder

As an AIM-listed company, London Mining is not required to follow the UK Corporate Governance Code (the Code). It has however, endeavoured to follow the principles and provisions of the Code keeping in mind its size and structure. Since the Company was admitted to AIM in November 2009 the corporate governance structure of the Company has evolved with the progress and development of the Company. London Mining has now progressed from being a developer to a producer of iron ore and the Board recognised during 2011 and 2012 that this key development brought with it enhanced shareholder expectations with respect to governance and has sought to put in place practices to comply with the Code and enhance the corporate governance structure.

Given the Company's current shareholder base, shareholder feedback and the Company's aims to become a premium listed company, the Board committed in early 2012 to further enhancing its corporate governance structure and, in particular, focusing on those matters brought to its attention by its shareholders. The Board has made considerable progress in achieving this over the year.

Whilst the Code allows companies to explain their reasons for non-compliance with any of its provisions, London Mining wishes to minimise its areas of non-compliance with the Code.

The key components of the plan for 2012 can be summarised as follows:

2011 commitment

Changes to Board structure and composition

- Appoint two new additional independent Non-Executive Directors.
- New independent Non-Executive Directors will be expected to chair certain committees.
- Make changes to the Board committees to ensure that they contain at least a majority of independent Non-Executive Directors and are in accordance with the Code.

Independence of current Non-Executive Directors

- Implement a plan that equitably dispenses with options issued to current Non-Executive Directors (that are considered by the Board to be independent) to ensure wider acceptance of the Board's view that they are independent.
- No further grants of share options will be made to Non-Executive Directors.

New executive remuneration policy for 2012 in line with ABI guidelines

- Strategic objectives linked to individual key performance indicators.
- Strongly align executive remuneration with enhanced shareholder expectations.
- Underpin a pay-for-performance culture.

2012 delivery

- Michael Miles was appointed as a Non-Executive Director and Chairman elect on 5 December 2012. Alan Ferguson will join the Board on 21 March 2013.
- Alan Ferguson will chair the audit committee following the AGM.
- The committees will contain at least a majority of independent Non-Executive Directors on appointment of Alan Ferguson.
- In September 2012 we purchased the options issued to Non-Executive Directors, further details are included on page 72.
- We have not granted any options to Non-Executive Directors during 2012 and do not intend to going forward.
- The new remuneration policy has been implemented during 2012 and aims to link remuneration with strategy and objectives of the business. Full details of the policy are set out in the remuneration report.

Enhancements in governance

I am pleased to note that we have significantly enhanced our governance since our admission to AIM over three years ago. Some key enhancements include: our Board now including four independent Non-Executive Directors, the Board undertaking regular internal and external performance evaluations of its functioning, the remuneration committee developing and implementing a completely new remuneration policy in line with ABI guidelines which strongly align executive remuneration with shareholders expectations, further improving the robustness of our risk and internal control procedures in line with the Turnbull recommendations, and introducing a number of sustainability and community initiatives in keeping with best practice. For 2013 our remuneration and nomination committees will meet the independence standards prescribed by the Code by the AGM 2013 and our audit committee will have an Independent Chairman.

Board changes

In December 2012 we welcomed Michael Miles to the Board as Non-Executive Director and Chairman elect. Michael will take over from me as Chairman of the Board on 21 March 2013. Michael brings extensive and varied global business and FTSE 100 Board governance experience to the London Mining Board. He was until recently chairman of Schroders, and previously chairman of Johnson Matthey Plc. He has served on the Boards of BP (including as chairman of its pension trustees), China Britain Trade Group, Hong Kong Association, Balfour Beatty and Portals. Through his former chairmanships and earlier career with the Swire Group and Cathay Pacific, Michael has extensive and unrivalled experience in the Far East/China, the most important market for iron ore and a key part of London Mining's long term customer and partnering strategy.

As part of the ongoing development of the Board, Alan Ferguson joins on 21 March 2013 as a Non-Executive Director and will chair the audit committee following the Company's AGM on 22 May 2013. Alan is a chartered accountant, currently a Non-Executive Director on the Boards of Weir Group Plc, Croda International Plc and Johnson Matthey Plc, and has held the position of Finance Director with Lonmin Plc, BOC Group Plc and Inchcape Plc. Alan replaces Graham Mascall, who retires on 21 March 2013 from the London Mining Board after three years as a Non-Executive Director to focus on other business interests. We thank Graham for his commitment to the Company over the last three years and wish him well in the future.

The Company continues to welcome shareholder feedback and will continue improving its processes as it works towards a premium listing. We look forward to a continuing and productive dialogue with you this year.

I will be retiring from the Board at the Annual General Meeting on 22 May 2013 and will not be seeking re-election. I would like to thank Graeme Hossie and the Board for their support over the years and I wish London Mining every success in the future.

Dr. Colin Knight
Chairman

Governance of London Mining

London Mining is committed to maintaining the highest standards of corporate governance. This section of the Annual Report sets out the corporate governance framework for the Company and how it has evolved since London Mining was admitted to the AIM Market of the London Stock Exchange in November 2009.

The Code sets out the standards for good practice in relation to corporate governance in the form of a set of principles and provisions. Under the AIM rules London Mining is not required to comply with the Code nor state whether it departs from it. The Board has however chosen to apply the Code to promote good governance where it is considered practical for a company of its size and development.

Board balance and independence

The UK Code requires that companies below the FTSE 350 should have at least two independent Non-Executive Directors. Colin Harris, appointed as a Non-Executive Director in May 2011, is considered by the Board to be independent. Michael Miles, appointed as a Non-Executive Director in December 2012 and Chairman elect, was considered independent on appointment.

Sir Nicholas Bonsor and Graham Mascall are also considered by the Board to be independent having not had any previous connection with the Company prior to their appointments to the Board. To address shareholder concerns with respect to share options held by Sir Nicholas Bonsor and Graham Mascall, the Board worked with shareholders during 2012 to establish a way to equitably dispense with the share options to enable shareholders to be more comfortable with their independence. Full details can be found in the remuneration report on pages 65 to 72. Malcolm Groat was an Executive Director of the Company (Part-time Finance Director) during 2008 and is therefore not considered independent. The Company is of the view that whilst Malcolm Groat is not considered independent, his appointment as a Non-Executive Director with extensive financial, accounting and mining expertise and experience enhances the overall strength of the Board and outweighs any perceived compromise to his independence. Luciano Ramos was previously an Executive Director and Chief Operating Officer and is therefore not considered to be independent on his appointment as a Non-Executive Director. The Board believes that, due to his extensive mining expertise and experience with the operations of the Company, especially in Sierra Leone, his appointment enhances the overall strength of the Board and outweighs any perceived compromise from his lack of independence.

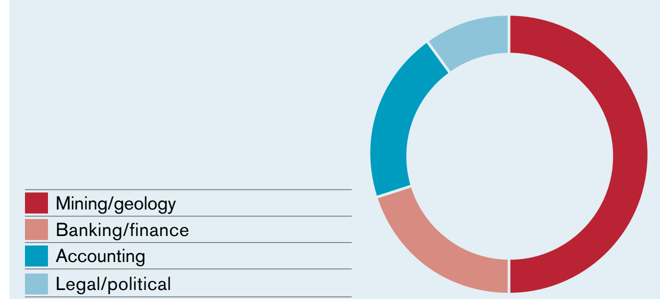
Not independent	Independent
Graeme Hossie (Executive Director)	Sir Nicholas Bonsor
Rachel Rhodes (Executive Director)	Graham Mascall*
Benjamin Lee (Executive Director)	Colin Harris
Luciano Ramos	Michael Miles
Dr Colin Knight (Chairman)	Alan Ferguson**
Malcolm Groat	

* Due to leave the Board on 21 March 2013.
** Appointed 21 March 2013.

Governance

Corporate governance report
continued

Professional background



The role and structure of the Board

As at the date of this report, the Board consists of ten Directors, made up of the Chairman, Chief Executive Officer, Chief Financial Officer, Corporate Development Director and six Non-Executive Directors. Biographies of all the Board members appear on pages 52 and 53 of this Annual Report.

The Board is collectively responsible for the long term success of the Company and has ultimate responsibility for the management, direction and performance of the Group and its businesses. The Board is required to exercise objective judgement on all corporate matters and is accountable to shareholders for the proper conduct of the business.

The Board has also delegated authority for specific matters to the nomination committee, the remuneration committee, the audit committee and the sustainability committee. Further information on each of these committees is set out on pages 61 to 64 of this Corporate Governance Report.

There are, however, a number of matters which are reserved for Board approval. These are set out in a formal schedule, approved by the Board and include, but are not limited to, the following matters:

- Regular review of long term objectives and strategic direction of overall business;
- Approval of the annual business plan;
- Review the performance of the business in the light of its strategic objectives;
- Responsibility for the overall management of the Group;
- Changes relating to the Company's share capital or corporate structure;
- Approval of major capital expenditure, acquisitions and divestments, expansion or diversification;
- Maintaining and monitoring the Group's system of internal control and risk management;
- Approval of the recommendations of the audit committee, including remuneration and appointment of the Company's auditors;
- Consideration of recommendations from the various Board committees; and
- Approval of communications with shareholders including approval of the Interim Statement, Annual Report and Accounts and other major public announcements.

A copy of the schedule of matters reserved for the Board is available on the Company's website at: www.londonmining.com

Chairman and Chief Executive

The division of responsibilities between the Chairman and Chief Executive are set out in writing and summarised below:

Chairman	Chief Executive Officer
• Lead and manage the Board	• Develop strategic and operational objectives for the Company
• Ensure information flow and effective communication with shareholders	• Plan and direct the Group's activities to achieve targets
• Run the Board and set its agenda, timing and culture of debate at meetings	• Ensure the implementation of Board decisions
• Take the lead in providing a properly constructed induction program for new Directors	• Recruit, select and develop the executive team
• Take the lead in identifying and meeting the development needs of individual Directors and address the development needs of the Board as a whole	• Maintain and develop organisational culture, values and reputation

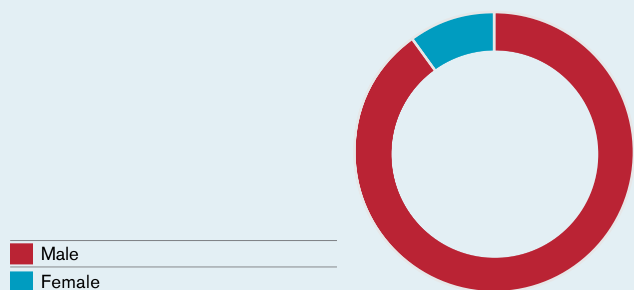
Senior independent Director

Sir Nicholas Bonsor is the Deputy Chairman and Senior independent Non-Executive Director and is available to address shareholders' concerns on governance and, if necessary, other issues that have not been resolved through the normal channels of communication with the Chairman, Chief Executive Officer, or Chief Financial Officer, or in cases when such communications would be inappropriate.

Board process

The Board holds at least six scheduled Board meetings a year following a timetable of subject matter to consider, set at the beginning of each year. The Board also meets on an ad hoc basis in response to the needs of the business. A table of attendance of members of the Board and Board committees at meetings held during 2012 is set out on page 61.

Board composition – gender



London Mining is committed to maintaining the highest standards of corporate governance.

The Directors receive appropriate briefing papers on substantive items, circulated prior to each Board meeting to give the Directors adequate time to prepare for the meeting and to enable any Director who is unable to attend the meeting to have an opportunity to review the matters to be discussed and, if necessary, to provide comments to the Chairman in advance of the meeting. A schedule of regular matters to be addressed by the Board and its committees is agreed on an annual basis. Agenda items discussed at each meeting include, strategic matters, operations, finance, legal, risk and governance. Presentations on financial and operational matters are made regularly to the Board by members of the Executive leadership team. In particular the Chief Operating Officer attends most Board meetings to update the Board directly on operational matters. The Directors also receive regular updates on financial and operational matters between Board meetings. All Directors have the right to have their concerns about the running of the Company, or a proposed action which cannot be resolved, recorded in the minutes.

Board development

Programs of continuing professional development are arranged as required, taking into account the individual qualifications and experience of the Directors. The Chairman is responsible for ensuring induction and training programs are provided and the Company Secretary is tasked with organising such programs. Individual Directors, with the support of the Company Secretary, are also expected to take responsibility for identifying their own training needs and to ensure that they are adequately informed about the Group and their responsibilities as a Director. A comprehensive corporate governance workshop and training program was organised for the Board in May 2012. The workshop, run by an external consultant, updated and refreshed the Board on current and key corporate governance matters. Other presentations on topical matters have been presented to the Board by their advisors at various Board meetings during the year.

Board advice

All Directors have access to the advice and services of the Head of Legal and Company Secretary, who is responsible to the Board for ensuring that the correct Board procedures are followed and that Board members receive legal and company secretarial advice. Both the appointment and removal of the Company Secretary are a matter for the Board as a whole. All Directors also have access to the Group's professional advisers whom they can consult at the Company's expense should they consider this necessary in order to better discharge their responsibilities.

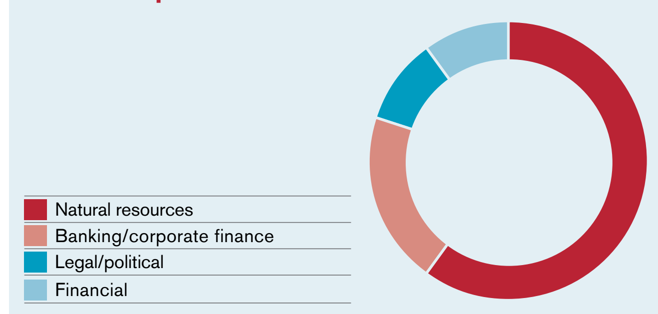
Conflicts of interest

In accordance with the Company's Articles of Association, the Board is permitted to consider and if it sees fit, to authorise situations where a Director has an interest that conflicts, or may possibly conflict, with the interests of the Company. A schedule of conflicts or potential conflicts completed by each Director is reviewed by the Board at least annually to ensure that any situational conflicts are identified. In addition, Directors are reminded at the beginning of each Board meeting to notify the Board of any further conflicts of interest in accordance with the Companies Act 2006.

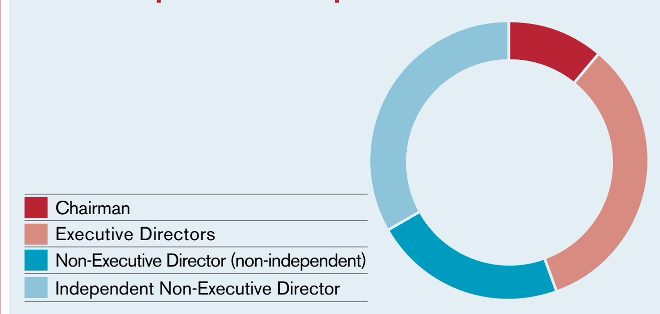
Board evaluation

Prism Cosec is currently advising the Company on a number of aspects of corporate governance and company secretarial matters. In 2011 as part of this work Prism Cosec carried out a formal evaluation of the Board and its three principal committees (the audit committee, the remuneration committee and the nomination committee) conducted using a detailed and confidential questionnaire. The questionnaire included questions about the effectiveness of the Executive and the Non-Executive Directors and the Board as a whole. The results of the evaluation were collated in a form which did not identify individual comments (so as to ensure candid feedback), and the collated feedback was reviewed by the Chairman and the Company Secretary and discussed by the Board. The main conclusions from the evaluation were that the Board operated as an effective body which provided strong entrepreneurial leadership. A number of other comments from the 2011 Board evaluation process however related to the structure and composition of the Board and enhancing corporate governance. The evaluation process this year has therefore focused on addressing these comments by reviewing the membership of the Board and its committees to ensure that the Board and its committees have the appropriate balance of skills and experience to discharge their duties and responsibilities. The Board changes affected in 2012 and to be completed in 2013 will address these comments and a further formal Board evaluation will take place towards the end of 2013.

Board composition – sector and skills



Board composition – independence



Corporate governance report
continued

Re-election of Directors at the Annual General Meeting
Directors are elected by shareholders at the first Annual General Meeting (AGM) after their appointment and, after that, offer themselves up for re-election at regular intervals by a vote of shareholders at least once every three years. The Company intends to continue with this practice but will review this regularly. Sir Nicholas Bonsor and Luciano Ramos will retire by rotation at the forthcoming AGM on 22 May 2013 and, being eligible, offer themselves for re-election. Michael Miles and Alan Ferguson will be offering themselves for election as this will be the first AGM since their respective appointments on 5 December 2012 and 21 March 2013 respectively. Dr Colin Knight will be retiring from the Board at the AGM and will not be putting himself up for re-election.

The Board committees
Terms of reference for each of the following committees with the exception of the sustainability committee and Executive leadership team are available on the Company's website, www.londonmining.com. All the Non-Executive Directors are on the audit, remuneration and nomination committees.

Structure of the Board and its committees
At the date of this report the membership of the Board committees is as follows:

Board	Audit	Remuneration	Nomination	Sustainability	Executive leadership team
Dr Colin Knight (Chair)***	Malcolm Groat (Chair)	Sir Nicholas Bonsor (Chair)	Dr Colin Knight (Chair)***	Graham Mascall (Chair)**	Graeme Hossie
Graeme Hossie	Dr Colin Knight***	Dr Colin Knight***	Sir Nicholas Bonsor		Rachel Rhodes
Rachel Rhodes	Sir Nicholas Bonsor	Malcolm Groat	Malcolm Groat		Jim North (from July 2012)
Benjamin Lee	Colin Harris	Colin Harris	Colin Harris	Colin Harris	Benjamin Lee
Luciano Ramos	Graham Mascall**	Graham Mascall**	Graham Mascall**	Graeme Hossie	Renato De Almeida (from June 2012)
Sir Nicholas Bonsor		Michael Miles*		Jim North (from July 2012)	Thomas Credland
Malcolm Groat					Rohit Bhoothalingam
Colin Harris					Claude Perras
Graham Mascall**					Rosh Bardien
Michael Miles*					Luciano Ramos (until July 2012)

* Appointed during the year and will Chair the Board and the nomination committee from 21 March 2013.
** Will retire from the Board on 21 March 2013.
*** Will retire as Chairman of the Board and all Board committees on 21 March 2013. Will retire from the Board at the AGM on 22 May 2013.

From the AGM in May 2013 the membership of the committees will be as follows:

Board	Audit	Remuneration	Nomination	Sustainability	Executive leadership team
Michael Miles (Chair)	Alan Ferguson (Chair)	Sir Nicholas Bonsor (Chair)	Michael Miles (Chair)	Colin Harris (Chair)	Graeme Hossie
Graeme Hossie	Malcolm Groat	Colin Harris	Sir Nicholas Bonsor	Malcolm Groat	Rachel Rhodes
Rachel Rhodes	Sir Nicholas Bonsor	Michael Miles	Malcolm Groat	Graeme Hossie	Jim North
Benjamin Lee	Colin Harris		Colin Harris	Jim North	Benjamin Lee
Luciano Ramos			Graeme Hossie		Renato De Almeida
Sir Nicholas Bonsor					Thomas Credland
Malcolm Groat					Rohit Bhoothalingam
Colin Harris					Claude Perras
Alan Ferguson					Rosh Bardien

Attendance at meetings of the Board and Board committees

Board	Scheduled Board (6 meetings)	Audit committee (4 meetings)	Remuneration committee (13 meetings)	Nomination committee (2 meetings)	Sustainability committee (2 meetings)
Executive Directors					
Graeme Hossie	6/6	[1]	–	–	0/2
Rachel Rhodes	6/6	[2]	–	–	
Benjamin Lee	6/6	–	–	–	–
Luciano Ramos	6/6	–	–	–	
Non-Executive Directors					
Dr Colin Knight	6/6	4/4	12/13	2/2	–
Sir Nicholas Bonsor	6/6	4/4	13/13	1/2	–
Malcolm Groat	6/6	4/4	12/13	2/2	–
Colin Harris	6/6	3/4	11/13	1/2	2/2
Graham Mascall	6/6	4/4	13/13	2/2	2/2
Michael Miles[3]	1/6	–	–	–	–

[1] Attended some meetings by invite.
[2] Attended all meetings by invite.
[3] Appointed during the year.

There were nine further ad hoc Board and Board committee meetings called at short notice to deal with minor commercial matters, share issues and exercises of share options.

Audit committee

The audit committee is chaired by Malcolm Groat. Other members of the committee are Dr Colin Knight, Sir Nicholas Bonsor, Colin Harris and Graham Mascall. The membership of this committee will change at the AGM as set out on page 60. As a fellow of the Institute of Chartered Accountants in England and Wales who qualified with PWC in London, and holds an MBA, Malcolm Groat has recent and relevant financial experience. He also has a full and comprehensive financial background and experience both inside and outside of mining, including global listed businesses both AIM and FTSE 250. He has previous experience as an audit committee chair in a business with over 10,000 shareholders and he currently serves as Finance Director of a UK-based mining company. He was therefore considered by the Board to be the best candidate for chairman of the audit committee. Alan Ferguson will take over the position of Audit Committee Chairman following the AGM. The Chief Financial Officer, Rachel Rhodes, the Finance Controller and the internal auditor have all attended committee meetings by invitation. The Company's auditors, Deloitte LLP also attend by invitation.

Under its terms of reference, the audit committee is required to meet at least three times a year or more frequently as circumstances require. The audit committee reports on its activities to the Board meeting immediately following its meetings.

Corporate governance report
continued

The primary responsibilities of the audit committee are:

- To ensure the integrity of financial statements of the Company including its annual, half yearly and quarterly reports and any other formal announcement relating to its financial performance and reviewing of significant financial reporting issues and judgements which they contain;
- Review and challenge the consistency of and any changes to accounting policies;
- Review and challenge the going concern assumption and capital adequacy;
- Keep under review the effectiveness of the Company's internal controls and risk management systems;
- Consider the need for and manage the effectiveness of the Company's internal audit function;
- Review with the external auditors the scope and results of their audit;
- Make recommendations to the Board and shareholders in relation to the appointment, reappointment, removal, engagement and fees in relation to the Company's external auditor; and
- To assess the Company's arrangements for whistle-blowing and detecting fraud.

Committee activities

In 2012 the audit committee met four times. During the year, the committee's activities included the following:

- Reviewing and approving the external audit plans;
- Key accounting judgements including going concern and liquidity;
- Accounting treatments regarding finance raised and legal settlements during the year;
- Considering the accounting value of assets;
- Consideration of the preliminary and interim announcements;
- Reviewing internal controls and the risk management framework;
- Reviewing external audit effectiveness;
- Reviewing current and updated policies designed to prevent bribery and corruption; and
- Monitoring processes to strengthen compliance with policy.

Relationships with external auditors

The audit committee monitors the relationship with the Company's external auditors relating to the provision of non-audit services to ensure that auditor objectivity and independence is safeguarded. This is achieved by disclosure of the extent and nature of non-audit services (see note 8 to the consolidated financial statements) and the prohibition of selected services by the external auditor. The audit committee has considered information pertaining to the balance between fees for audit and non-audit work performed for the Group in 2012 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditor's objectivity or independence.

The reappointment of Deloitte LLP as the Group's external auditors is reviewed on an annual basis by the audit committee. The committee's assessment of the external auditors' performance and independence underpins its recommendation to reappoint Deloitte LLP as auditors until the conclusion of the AGM in 2014. Resolutions to authorise the Board to reappoint the auditors and to determine their remuneration for the year ending 31 December 2013 will be proposed at the AGM on 22 May 2013.

Risk management and internal control

The Board is responsible for establishing and maintaining adequate internal controls and risk management systems to safeguard shareholders' investment and Company assets.

Risk identification and evaluation

Risk management policies and procedures continued to develop during 2012, and an exercise has been carried out to identify material risks across the Group, evaluate their likelihood and severity, consider existing controls and put in place action plans owned by the applicable departments in each location to manage or mitigate the risks identified to acceptable levels.

The framework developed for identifying and managing major areas of risk is consistent across departments and locations, and risks are monitored on a regular basis by location management, the Executive leadership team and the Board. The approach incorporates:

- Identifying and evaluating risks: cross departmental workshops are held in each material location, including the corporate office, to identify and evaluate risks to the Group based on a consistent framework developed involving executive management. The outputs from this process are captured on formal risk registers for each location that are reviewed on a regular basis.
- Designing and implementing responses: for all risks identified, controls and mitigating actions are identified and the resultant impact on the likelihood or severity of the risks is considered. Where the level of residual risk is still evaluated as material, actions are developed and owned by the relevant department.
- Monitoring risks and actions: regular reporting in respect of the material risks across the Group, actions to address, and progress made to date is provided and reviewed by management at the appropriate level. This includes a summary risk map being reviewed by the audit committee and the Board every six months.

Details of the principal risks and uncertainty the Group is exposed to are set out in the Operational and Financial Reviews on pages 44 to 49.

Control environment

The system of internal control has been designed to manage and mitigate rather than eliminate risk and provide reasonable assurance against material misstatement or loss.

A review of the effectiveness of the internal control systems of the Group's material business units was conducted during the year. The Board conducted this review by considering reports from management on key risks, key controls and mitigations and management representations.

The Board also receives assurance from the audit committee which considers all matters reported to it by internal and external audit. The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant.

The system of internal control continues to develop as Group operations expand, and projects are either planned or in progress to further strengthen the control environment in 2013. We believe that the Group will be compliant with the revised guidance for Directors in respect of internal control (issued by the Turnbull review group) in 2013 when the risk management framework noted above has operated for an entire year.

Internal audit

During 2012, the role of the internal audit function was restructured to take on additional activities assisting the Group in developing its internal control environment.

Whilst the function continues to support the Group in the development of policies and procedures around risk management, anti-fraud, anti-bribery and corruption, it is now involved in facilitating the design and implementation of processes and controls in respect of other risk areas, including operational controls across the Group.

It is considered by the audit committee and the Board that this resource is best deployed helping facilitate the development of the internal control environment, as well as carrying out internal audit activity testing its effectiveness, at this stage in the development of the Group.

The function remains independent of the operations, and has a reporting line into executive management as well as providing internal control assessments directly into the audit committee to maintain its objectivity.

The function also carried out independent investigations into whistle-blowing reports arising during the year reporting findings to the audit committee chairman.

Anti-fraud, bribery and corruption framework

The Group responded to the UK Bribery Act in the year ended 31 December 2011 by undertaking an extensive exercise which involved a review of policies, procedures, training requirements, risk assessment and strengthening of internal controls. The Company's auditor (Deloitte LLP) and legal advisors (Travers Smith), each of whom assisted in an initial risk assessment exercise in 2011 to help the Company assess the existing governance arrangements and controls of the Company, and outline clear objectives and goals to develop policies and procedures, continue to advise the Group on these matters.

Building on this work in 2012, a steering committee involving executive management continued to consider Group processes for responding to risks of fraud, bribery and corruption, and regular reports in respect of associated policy and control developments were presented to the audit committee.

The Group policies in respect of Anti-fraud, Bribery and Corruption 'AB&C', which include the Group code of conduct and whistle-blowing policies, continue to be refined in order to ensure that the policies are tailored to the risks specific to London Mining operations, and include sufficient monitoring procedures to capture information in respect of AB&C risks across the Group.

Training continues to be given to all employees through workshops and online tools. Specific bespoke training activity discussing AB&C risks, Group policies and monitoring requirements is also in place for employees in departments that are deemed, by the guidance to the UK anti-bribery legislation, to be in a higher risk category (key management, government relations, finance and procurement) both in Sierra Leone and the United Kingdom.

Whistle-blowing

A formal whistle-blowing policy that enables employees to raise concerns they may have about workplace fraud or mismanagement on a confidential basis is in place. Safecall Limited provides a confidential hotline and email service through which employees can report their concerns. A response framework exists in order to ensure the appropriate investigation of all concerns, and the Chairman of the audit committee is provided with reports summarising the response to each call received.

The whistle-blowing policy has been communicated to all of London Mining's subsidiaries, employees and contractors. The existence of the whistle-blowing hotline is also advertised through the use of posters on-site at each location and during inductions and training sessions.

Sustainability committee (previously the Health, Safety and Environment committee)

Although ultimate responsibility for Health, Safety and Environment matters remains with the Board, the sustainability committee was established to focus on health, safety and environmental matters. A Head of Sustainability, Claude Perras (formerly at Rio Tinto), joined the Company in December 2011. The sustainability committee assists the Board in obtaining assurance that appropriate systems are in place to deal with the management of safety, health and environmental risks. Under its terms of reference the committee meets at least twice a year. The members of the sustainability committee were revised during the year and, for the year ended 31 December 2012, consisted of Graham Mascall (Chairman of the committee), Colin Harris and Jim North (from July 2012). The Head of Sustainability attends each meeting of the committee. The Board has agreed that, following Graham Mascall's retirement from the Board, Colin Harris will become the sustainability committee's Chairman.

Details of the Company's sustainability initiatives and work throughout 2012 can be found on pages 37 to 43.

Nomination committee

The members of the nomination committee are Dr Colin Knight (committee chairman), Sir Nicholas Bonsor, Malcolm Groat, Colin Harris and Graham Mascall. The membership of this committee will change at the AGM as set out on page 60.

Under its terms of reference, the nomination committee is responsible for reviewing the structure, size and composition, including the skills, knowledge and experience of the Board and make recommendations to the Board about adjustments. The committee also considers succession planning for Directors and other senior executives. When making an appointment, the committee is required by its terms of reference to evaluate the balance of skills, knowledge and experience on the Board and consider candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position. In searching for new appointments the nomination committee's mandate is to identify individuals with outstanding credentials in creating value for shareholders and wide international experience. The mandate also recognises the importance of considering a diverse range of candidates to augment the Board's diversity. The committee met twice during the year to discuss succession planning and new appointments.

Corporate governance report
continued

Remuneration committee
The members of the remuneration committee are Sir Nicholas Bonsor (Chairman of the committee), Dr Colin Knight, Malcolm Groat, Colin Harris and Graham Mascall. The membership of this committee will change at the AGM as set out on page 60.

Under its terms of reference, the remuneration committee is required to meet at least twice a year or more frequently as circumstances require. In 2012 the remuneration committee met 13 times, primarily to complete the development of and implement an executive remuneration policy in line with ABI guidelines. To assist in the creation of this new executive remuneration policy and to assist with benchmarking for the 2013 salaries, the committee sought the advice of KPMG LLP to provide guidance on market practice, to establish a pay for performance remuneration structure, to position the senior team with respect to their peers and make recommendations based on their analysis. Details of this policy and the committee's activities are contained in the Directors' remuneration report set out on pages 65 to 72. The remuneration committee reports on its activities to the Board meeting immediately following its meetings.

Executive leadership team
London Mining established an Executive leadership team during 2011 which focuses on monitoring the Company's business, reviewing investments, progress against agreed plans and targets and making recommendations to the Board. The Executive leadership team comprises the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer, the Corporate Development Director, the Head of Investor Relations, the Head of Legal, the Head of Sustainability and the Head of Human Resources. The Chief Marketing Officer joined the executive leadership team in June 2012.

The Executive leadership team meets on a bi-monthly basis. The Executive leadership team members receive papers in advance of the meetings. Agenda items for each meeting include operation reviews, financial reviews, management accounts and financial performance, update on projects, use of funds and funding requirements, legal matters and corporate governance.

Relations with investors
The Company is committed to maintaining the highest standards of disclosure ensuring that all investors and potential investors have the same access to high quality, relevant information in an accessible and timely manner to assist them in making informed decisions. The investor relations department manages the flow of information to all investors and potential investors and regular presentations take place at the time of the half year and final results as well as during the rest of the year. The Company has consulted with a number of its major shareholders on its new remuneration policy and listened to shareholders' views regarding corporate governance matters.

Any concerns raised by a shareholder in relation to the Company and its affairs are communicated to the Board.

Copies of announcements to the stock exchanges on which the Company is or has been listed, investor presentations, interim financial reports, the Annual Report and other relevant information are posted to the Company's website at www.londonmining.com

The Annual General Meeting
The Notice of AGM will be dispatched to shareholders, together with explanatory notes or a circular on items of special business, at least 20 working days before the meeting. Separate resolutions will be proposed on each substantially separate issue including a resolution relating to the Report and Accounts.

The Chairmen of the audit, remuneration and nomination committees normally attend the AGM and are available to answer questions. All Directors usually attend the meeting.

The Board welcomes questions from shareholders who have an opportunity to raise issues informally or formally before or at the AGM.

For each resolution the proxy appointment forms provide shareholders with the option to direct their proxy vote either for or against the resolution or to withhold their vote. The Company will ensure that the proxy form and any announcement of the results of a vote will make it clear that a 'vote withheld' is not a vote in law and will not be counted in the calculation of the proportion of the votes for and against the resolution.

All valid proxy appointments are properly recorded and counted. For each resolution, after the vote has been taken, information on the number of proxy votes for and against the resolution, and the number of shares in respect of which the vote was withheld, are given at the meeting and are made available on the Company's website at www.londonmining.com

UK Corporate Governance Code compliance
As an AIM-listed company, London Mining is not required to follow the Code however the Board have chosen to apply the Code in so far as it is appropriate and practicable for a company of its size and development.

Areas of non-compliance with the Code relate to the membership of the Board committees.

Code Provision C.3.1 requires a company below FTSE 350 to establish an audit committee of at least two independent Non-Executive Directors. At the time of this report the audit committee of London Mining included Malcolm Groat as its Chairman. Malcolm Groat is not considered independent due to his short period as a part-time Finance Director to the Company in 2008. Malcolm does however have extensive, recent and relevant financial as well as mining experience enhancing the strength of the audit committee and is therefore a necessary and valued member of the committee. Alan Ferguson will join the Board on 21 March 2013 and he will assume the chairmanship of the audit committee following the AGM.

Code Provision D.2.1 requires a company below FTSE 350 to establish a remuneration committee of at least two independent Non-Executive Directors. Three members of the Committee are Independent Non-Executive Directors however Malcolm Groat is also a member of the remuneration committee. Malcolm's extensive accounting and mining experience is also considered by the Board to lend strength to the remuneration committee.

Directors' remuneration report

Dear Shareholder

It is with pleasure that I introduce the Directors' remuneration report for the year ended 31 December 2012. This report has been prepared by the remuneration committee and approved by the Board.

As reported last year, now that the Company has progressed from being a developer to a producer of iron ore, the Company's approach to remuneration has evolved to support this next stage in the Company's growth. The fundamental principle that the remuneration committee is focused on is the recruitment, retention, incentivisation and motivation of key management and staff. In the past, as an entrepreneurial exploration and development company, London Mining followed a remuneration policy that suited its entrepreneurial needs by rewarding key management for individual operational objectives attained over shorter periods. This suited the Company in obtaining its strategic development objectives and in aligning its goals with shareholder interests.

As the Company has progressed to being a producer of iron ore, more empirical measures of performance for key management need to be used to clearly demonstrate the alignment of remuneration with ongoing strategic corporate objectives and with enhanced shareholder expectations. The committee has recognised, however, that there is a competitive market for successful executives with experience in the mining industry and that the provision of appropriate rewards for superior performance is important for the continued growth of the business. In response to the Company's development needs and also shareholder feedback received since our last remuneration report, the remuneration committee's key priority during 2012 has been to implement a coherent, appropriate and relevant remuneration policy for the Company's key management. This has ensured that a pay-for-performance culture is well understood within the organisation and key performance indicators for senior management set in 2012 have been linked to the strategic objectives of the Company. Details of this implementation during 2012 are set out in this report.

Management has worked hard against difficult operational and market challenges to deliver its key goals and in this the committee considers that they have been largely successful. The Company has performed well in achieving delivery of key milestones such as production targets, finding innovative financing solutions in a challenging funding environment, making strong improvements in sustainability and governance, and making progress in long term value creation. Against this backdrop and having considered the KPIs for each of the Executive Directors and the Chief Operating Officer, the remuneration committee have agreed bonus awards for the year of between 70% and 95% of salary.

In order to align remuneration with shareholder expectations, the Executive Directors and the Chief Operating Officer have elected to waive all cash bonuses and to take any bonus payable for 2012 entirely in the form of ordinary shares with 50% of such award being deferred until a further challenging performance condition is met. In addition, all senior management have had their base salaries frozen at 2012 levels.

Annual General Meeting

As usual the shareholders will be asked to vote on the Directors' remuneration report at the AGM in May 2013 and I will be available then to answer any questions on the committee's activities.

Signed on behalf of the Board of Directors:

Sir Nicholas Bonsor
Chairman of the remuneration committee
20 March 2013

This report is produced in accordance with the Companies Act 2006 and Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Although not required to as an AIM-listed company, London Mining has endeavoured to follow the requirements of the UK Corporate Governance Code (the 'Code'). Derogations from the Code are contained within this report. This report contains both auditable and non-auditable information. The information subject to audit is set out in tables a to d on pages 70 and 71.

Directors' remuneration report
continued

Non-audited information

Membership of the remuneration committee
The members of the committee during the year under review, all of whom are Non-Executive Directors, were as follows:

Sir Nicholas Bonsor (Chairman)
Colin Knight
Malcolm Groat
Colin Harris
Graham Mascall
Michael Miles (from 5 December 2012)

The Chief Executive Officer and the Head of Group Human Resources attended some committee meetings by invitation, but neither were present when the committee discussed issues relating to their own remuneration.

Role of the remuneration committee
The remuneration committee is a formal committee of the Board. Its remit is set out in terms of reference formally adopted by the Board in 2009 and which are reviewed annually by the committee. A copy of the terms of reference can be found on the Company's website: www.londonmining.com

The principal responsibilities of the remuneration committee are:

- To determine and agree with the Board the framework or broad policy for the remuneration of the Company's key management;
- To review the ongoing appropriateness and relevance of the remuneration policy;
- To approve the design of, and determine targets for, any performance related pay schemes and approve the total annual payments made under such schemes;
- Review the design of share incentive plans for approval by the Board and shareholders. Determine each year whether awards will be made and the overall amount of the awards, the individual awards to Executive Directors and other senior executives and the performance targets;
- Within the terms of the agreed policy determine the total individual remuneration package of each Executive Director and other senior executives including bonuses, incentive payments and share options/awards;
- Oversee any major changes in employee benefits structures throughout the Company;
- Ensure all provisions regarding disclosure of remuneration are fulfilled; and
- Establish the selection criteria, select, appoint and set the terms of reference for remuneration consultants who advise the committee.

The committee met 13 times during the year and its principal activities were:

- To approve the payment of 2011 bonuses and salary increases for 2012, including increases for all UK employees;
- Consider the KPI targets for 2012 bonuses;
- Appoint KPMG LLP to conduct a market survey, remuneration benchmarking to market and performance measurement exercise;
- Consider and approve 2012 LTIP awards, share option awards and deferred share awards to senior executives and other employees;
- Consider the TSR comparator group for LTIP awards;
- Consider the Company's headroom limits for share options;
- Consider future plans for pensions across the Group;
- Consider shareholder feedback; and
- Consider Director shareholding guidelines.

Components of Executive Directors' remuneration
The Company's executive remuneration policy for 2012 focuses on providing a level of remuneration which attracts, retains, incentivises and motivates Directors and senior executives of sufficient calibre to achieve the Group's strategic goals and enhance shareholder value, whilst ensuring that remuneration is consistent with best practice and provides an appropriate alignment with personal and business performance and shareholder interests.

The key objectives of the new executive remuneration policy are to:

- Strongly align executive remuneration with shareholders' interests and link remuneration with the strategy and objectives of the business;
- Underpin a pay-for-performance culture; and
- Support the retention, motivation and recruitment of talented people who are performance driven, commercially astute and creative.

Advisors
During 2012 KPMG LLP were appointed by the committee to undertake a benchmarking analysis of the Company's pay structure for its Executive Directors and key senior management against those of an appropriate comparator group. KPMG LLP provide other services to the Company including tax advice and the audit of a subsidiary group company in Sierra Leone.

1 January 2012–31 December 2012

Executive remuneration is made up of fixed pay and performance-related pay (annual and long term):

Base salary
Base salary is targeted at between median and upper quartile of the Company's peers based on independent benchmarking reports although flexibility is retained. The remuneration committee aims to pay competitive base salaries having regard to market practice, internal relativities, performance and affordability. Salaries for key management below Board level are benchmarked against appropriate market comparisons and taken into account by the committee when considering the remuneration of the Executive Directors. Base salaries are reviewed annually by the committee which takes into account pay quantum and structure throughout the Group as well as relevant benchmark data.

For 2013, the committee has retained the base salaries for all Executive Directors and senior management of the Company at 2012 levels. None of the Directors serving during the year received any remuneration in respect of post-retirement benefits.

Annual bonus with KPIs

The Company has adopted an annual bonus plan which allows for a bonus opportunity ranging from 50% of salary at threshold performance up to a maximum of 150% of base salary for Executive Directors for outstanding performance based on stretch targets. For other members of key management the maximum bonus opportunity is 50% of salary at threshold performance, with discretion to pay up to a maximum of 100% of salary in exceptional circumstances. Any bonuses are paid in cash or shares, at the discretion of the committee, following the end of the financial year.

Individual KPIs are designed to incentivise performance and reward achievement in line with corporate strategy targets. KPIs are both financial and non-financial and include financial performance against EBITDA forecasts and budget, recruitment and development of key talent, production targets, compliance with policy and best practice, strategic development, compliance with health, safety and environmental standards and developing community initiatives.

Following a thorough review, the committee has recognised that the Executive Directors and the Chief Operating Officer have earned a bonus through meeting rigorous performance targets that were set in their 2012 KPIs. An award of 70% of base salary was approved for the Executive Directors and 95% of base salary was approved for the Chief Operating Officer. However, in order to more closely align the interests of the Executive Directors and the Chief Operating Officer to those of the Company's shareholders and reflect current market conditions in the industry, the annual bonus for 2012 will contain no cash award, be paid wholly in the form of awards comprising rights to acquire shares in the Company. 50% of these awards will be made and vest once the Company is no longer in a Close Period following publication of this report. The remaining 50% of the bonus will be deferred until the volume weighted average price of the Company's shares has remained at £2.55 or higher for a period of one month. This target must be achieved within 18 months of the date the award is granted, expected to be on or about the date of publication of this report. Failure to meet the target will result in the award being forfeited.

Deferred Shares

At the Company's last AGM, shareholders approved the Deferred Bonus Plan enabling the remuneration committee to approve the payment of bonuses in shares rather than cash as described above.

Share incentives

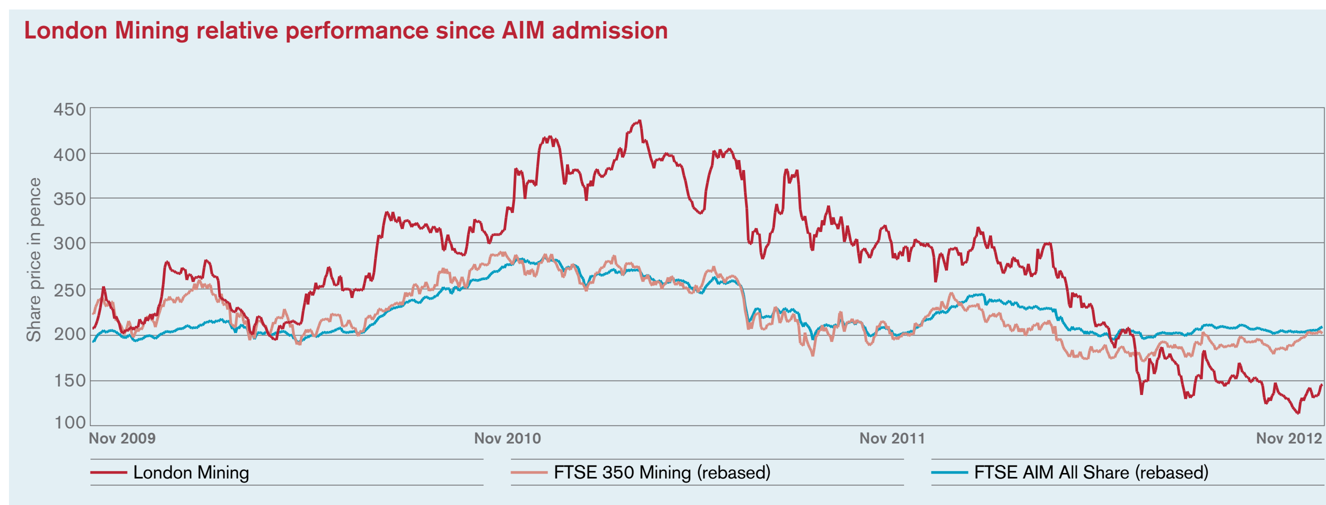
LTIPs

The committee undertakes annual grants under the Company's LTIP which contain provisions in relation to continued employment with the Group and the achievement of performance targets over a three year period. Additional grants to secure or retain executives, or to compensate for share awards foregone in other companies on recruitment to London Mining, or in renewing contracts with reference to benchmark, may be made from time to time as the remuneration committee determines appropriate. Awards will be made by the remuneration committee at its discretion based on the Company's remuneration policy and market practice of the Company's peer group.

The remuneration committee initially considered corporate performance measures such as earnings, share price and operational targets but concluded that all of these measures in the near term would be represented within the Total Shareholder Return (TSR) metric. The remuneration committee also concluded that the performance measures should be aligned with the Company's production and cost targets. The 2013 LTIP grant performance measures will therefore be based on a combination of TSR, production and cost targets.

Performance graph

The following graph shows the Company's share price performance compared with the performance of the FTSE AIM All Share Index and the FTSE 350/mining.



Directors' remuneration report continued

The companies to be used for the TSR measurement element of the performance measure for grants in 2013 are set out below:

African Minerals Limited
Bellzone Mining plc
Northern Iron Limited
Northland Resources SA
Atlas Iron Limited
Cliffs Natural Resources Inc
Eurasian Natural Resources Corporation PLC
Ferrexpo PLC
BC Iron Limited
Gindalbie Metals Limted
Grange Resources Limited

TSR is measured over a three year period from the date of grant of the LTIP award. The TSR peer group was amended this year to better reflect the Company's position as a single commodity iron ore producer.

Performance criteria for future LTIP awards are as set out below:

Production Target – 34% of the award will vest if the production target of a total 10 million dry metric tonnes (dmt) is reached during 2014 and 2015.

Cost Target – 33% of the award will vest on the achievement of Marampa project related production costs equal to or less than USD 50m/dmt on average over the years 2014 and 2015.

TSR Performance Measure – 33%.

Performance level	TSR% (vesting levels)
Below median	0
Median	8.33
Upper quartile	33

Value sharing plan

A value sharing plan (LTIP multiplier) will be available for outperformance as follows:

If the TSR performance is within the top 10%, the initial awards made may be increased to up to two times 33% of the initial award. The number of awards vesting after the three year period will be determined based on a straight-line basis between median and top 10%.

If production at the Marampa project exceeds 11 million tonnes over the years 2014 and 2015, the initial awards made may be increased to up to two times 34% of the initial award.

If the Marampa project related costs are equal to or lower than USD 46/dmt on average over the years 2014 and 2015, the initial awards made may be increased to up to 2 times 33% of the initial award. The number of additional awards vesting will be determined based on a straight-line basis between USD 50/dmt on average over the years 2014 and 2015 and USD 46/dmt on average over the years 2014 and 2015.

Other benefits

At present the Company does not provide pension, car, housing or other benefits to UK employees, other than medical insurance. The Company will be considering pension arrangements over the next year.

The remuneration policy is aligned to the strategy and nature of the Company, reflecting the importance of total shareholder return and the long term nature of the Company's business.

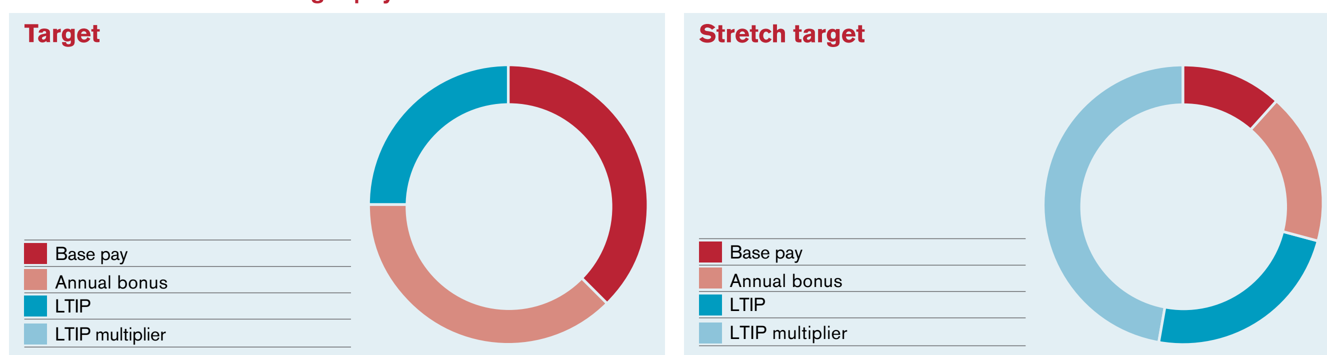
Components of remuneration

Fixed pay	Performance-related pay	
	Annual	**Long term** (delivered over three years)
Base pay	**Annual bonus with KPIs** KPIs will be both financial and non-financial	**Long Term Incentive Plan (LTIP) (Share settled)** Based on meeting relative TSR metric, production and cost targets
Benefits Only medical insurance provided		**Value Sharing Plan (LTIP multiplier)** Used only if maximum vesting under LTIP is exceeded

The committee has considered whether there are any aspects of the remuneration policy which could inadvertently encourage Executives to take inappropriate risks and has concluded that the policy is appropriate in this regard.

The chart below highlights the strong emphasis on performance-related pay within Executive Directors' remuneration.

Chief Executive Officer target pay mix



Summary of performance-related elements of salary for 2012 onwards

Element	Purpose	Framework	Performance conditions
Annual bonus	Incentivise Executive performance on an annual basis – measured against key financial and non-financial metrics as well as a set of demanding individual objectives.	Awards range between 50%-150% of base salary for Executive Directors for achievement of performance milestones and 50%-100% for key management.	• Measured annually • Based on financial and non-financial KPIs with a scorecard approach • KPIs agreed by the committee at the beginning of the year.
LTIP	Recognise and reward Executives for the creation of shareholder value over the longer term.	Awards will be at the remuneration committee's discretion and based on market practice of the Company's peer group.	• Performance is assessed over three financial years • Based on relative TSR of the Company against a select group of industry peers and production and cost targets.
LTIP multiplier	Recognise and reward Executives for the creation of shareholder value over the longer term for outstanding performance.	A maximum multiplier of two is available to awards made under the LTIP in the event of out performance.	• Only applied if out performance is achieved with respect to relative TSR, the production targets and cost targets.

Directors' remuneration report
continued

Audited information

Directors' remuneration

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2012:

a) Directors' remuneration

Directors' remuneration for the years ended 31 December 2012 and 31 December 2011 is as follows:

Name of Director	Fees/basic salary USD'000	Cash bonuses USD'000	Immediate vesting share award USD'000	Other benefits[6] USD'000	Compensation under return bonus plan[7] USD'000	2012 Total USD'000	2011 Total USD'000
Executive							
Graeme Hossie	718	–	263	4	–	985	1,261
Rachel Rhodes	446	126[8]	159	2	–	733	1,295[9]
Benjamin Lee	384	–	142	2	–	528	584
Non-Executive							
Luciano Ramos[2]	380	–	–	26[5]	544	950	2,287[9]
Sir Nicholas Bonsor, Bt DL	146	–	–	348[4]	–	494	121
Malcolm Groat	150	–	–	–	–	150	94
Dr Colin Knight	194	–	–	–	–	194	123
Graham Mascall	135	–	–	209[4]	–	344	121
Colin Harris	119	–	–	–	–	119	112
Dr Hans Kristian Schønwandt[1]	12	–	–	–	–	12	69
Michael Miles[3]	10	–	–	–	–	10	–
Aggregate emoluments	2,694	126	564	591	544	4,519	6,067

1 Stepped down as of 23 March 2012.
2 Stepped down as COO as of 30 September 2012 and became a Non-Executive Director.
3 From appointment as Non-Executive Director and Chairman elect on 5 December 2012.
4 Share Option buyout processed in September 2012.
5 Other benefits relating to payments in lieu of contractual holiday entitlement.
6 Other benefits relating to payments for medical benefits unless otherwise stated.
7 Compensation under the Return Bonus Plan is given to all participants in the Company share-based remuneration schemes for outstanding share-based awards that were adversely impacted as a result of the 2008 Return of Cash to shareholders. Compensation is granted in accordance with the vesting conditions of the underlying awards. Refer to note 3(w) to the financial statements for more details of the Return Bonus Plan. Amounts are included in the table above on a cash basis.
8 Bonus milestone relating to work conducted throughout 2010 and 2011, which vested and was subsequently paid in Q1 2012.
9 2011 remuneration for Rachel Rhodes and Luciano Ramos included non-recurring amounts of USD 529,000 and USD 1,311,000 respectively paid under the 2008 Return Bonus Plan, as described in footnote 7 above.

b) Current holdings in the LTIPs by Executive Directors are as follows:

Director	Share awards held at 1 January 2012	Share awards granted during the year	Share awards exercised during the year	Vesting date	Share awards held at 31 December 2012
Graeme Hossie	–	437,209	–	12 June 2015	437,209
Graeme Hossie	–	800,000	–	12 June 2015	800,000
Rachel Rhodes	314,592	–	85,000	4 Sept 2011	229,592
Rachel Rhodes	–	197,974	–	12 June 2015	197,974
Benjamin Lee	100,000	–	–	1 Apr 2012	100,000
Benjamin Lee	–	176,860	–	12 June 2015	176,860

c) Directors' Share Option Awards

The following share options, each to subscribe for one ordinary share in the Company were held by Directors (or entities in which they have a beneficial interest) as at 31 December 2012 and 31 December 2011:

Name of Director	31 December 2011	Granted	Lapsed	Exercised	31 December 2012	Exercise price	Vesting date*	Expiry date
Executive								
Graeme Hossie	1,500,000	–	–	–	1,500,000	GBP 1.74	12 Jul 2007	11 Jul 2013
	500,000	–	–	–	500,000	GBP 1.31	30 Jun 2009	29 Jun 2019
	500,000	–	–	–	500,000	GBP 1.31	9 Feb 2010	29 Jun 2019
	500,000	–	–	–	500,000	GBP 1.31	9 Feb 2011	29 Jun 2019
Rachel Rhodes	166,666	–	–	–	166,666	GBP 2.37	4 Sep 2009	16 Oct 2018
	166,667	–	–	–	166,667	GBP 2.37	4 Sep 2010	16 Oct 2018
	166,667	–	–	–	166,667	GBP 2.37	4 Sep 2011	16 Oct 2018
	166,667	–	–	–	166,667	GBP 1.31	24 Apr 2010	29 Jun 2019
	166,667	–	–	–	166,667	GBP 1.31	24 Apr 2011	29 Jun 2019
	166,666	–	–	–	166,666	GBP 1.31	24 Apr 2012	29 Jun 2019
Benjamin Lee#	43,333	–	–	–	43,333	GBP 1.31	1 Apr 2010	29 Jun 2019
	83,333	–	–	–	83,333	GBP 1.31	1 Apr 2011	29 Jun 2019
	83,333	–	–	–	83,333	GBP 1.31	1 Apr 2012	29 Jun 2019
	375,000	–	–	–	375,000	GBP 1.975	10 Jun 2010	9 Jun 2020
	125,000	–	–	–	125,000	GBP 1.975	10 Jun 2013	9 Jun 2020
Non-Executive								
Sir Nicholas Bonsor	125,000	–	125,000	–	–	–	–	–
Dr Colin Knight	160,000	–	–	27,000	133,000	GBP 1.74	12 Jul 2007	11 Jul 2013
Graham Mascall	75,000	–	75,000	–	–	–	–	–
Malcolm Groat	100,000	–	–	–	100,000	GBP 1.74	12 Jul 2008	11 Jul 2013
Luciano Ramos	500,000	–	–	500,000	–			
	500,000	–	–	–	500,000	GBP 3.09	3 May 2009	3 May 2013
	500,000	–	–	–	500,000	GBP 3.44	15 May 2010	15 May 2013
	500,000	–	–	–	500,000	GBP 3.44	15 May 2011	15 May 2013
Total	**7,169,999**	**–**	**200,000**	**527,000**	**6,442,999**			

* Some vesting dates are subject to satisfying performance conditions.

In addition Benjamin Lee was awarded 100,000 share options under the Company's Joint Share Ownership Plan (JSOP) on 10 June 2010. The market value of the Company's shares at the time of grant was GBP 1.975 the threshold is GBP 2.37. The JSOP award is subject to performance conditions.

The market price of ordinary shares on AIM at 31 December 2012 was GBP 1.45 and the range during the year was GBP 3.250 to GBP 1.12.

d) Current holdings in the Deferred Awards by Executive Directors are as follows:

Director	Share awards held at 1 January 2012	Share awards granted during the year	Share awards exercised during the year	Vesting date	Share awards held at 31 December 2012
Graeme Hossie	–	167,441	–	12 June 2014	167,441
Rachel Rhodes	–	109,302	–	12 June 2014	109,302
Benjamin Lee	–	86,046	–	12 June 2014	86,046
Luciano Ramos	–	120,930	–	12 June 2014	120,930
Luciano Ramos	–	300,000	–	21 June 2014	300,000

Directors' remuneration report
continued

Non-audited information

Directors' contracts
The Executive Directors have indefinite term contracts and the notice periods are set out below. The Executive Directors' contracts provide for a termination payment in excess of 12 months' salary in the result of a change of control.

Dates of the service agreements are:

Name	Date of original agreement	Notice period
Graeme Hossie	24 May 2007	12 months
Rachel Rhodes	17 June 2008	6 months
Benjamin Lee	30 March 2009	6 months

Outside appointments
Subject to Board approval, Executive Directors are permitted to accept outside appointments on external Boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees in respect of those appointments are retained by the Executive Directors concerned. Graeme Hossie is the founder and a Director of Venture Development Partners Limited, a family-owned company, for which he receives a small annual fee. He is also founder and a Director of Steribottle Limited and Steribottle Global Limited, companies producing single-use feeding bottles. No fees are received for these directorships. None of the other Executive Directors hold any outside appointments.

Non-Executive Directors
Details of the Non-Executive Director Letters of Appointment are summarised below:

Non-Executive Director	Effective date of letter of appointment	Unexpired term
Dr Colin Knight	2 November 2009	14 months[3]
Sir Nicholas Bonsor	2 November 2009	2 months*
Malcolm Groat	2 November 2009	26 months
Colin Harris	12 May 2011	26 months
Graham Mascall[1]	1 May 2010	14 months
Luciano Ramos	1 October 2012	2 months*
Michael Miles[2]	5 December 2012	2 months*

[1] Graham Mascall will retire as a Non-Executive Director on 21 March 2013.
[2] Michael Miles was appointed as a Non-Executive Director on 5 December 2012.
[3] Colin Knight will retire as a Non-Executive Director at the next AGM on 22 May 2013.
* These Directors are to be re-elected and elected respectively at the forthcoming AGM.

Copies of all Executive Directors' service contracts and the Letters of Appointment of the Non-Executive Directors are available for inspection during normal business hours at the registered office of the Company.

Non-Executive Directors' fees
The remuneration of the Non-Executive Directors (other than the Chairman) is a matter for the Chairman and the Executive Directors. Fees are designed to ensure that the Company attracts and retains high calibre individuals. They are reviewed on an annual basis and account is taken of the level of fees paid by other companies of a similar size and complexity. Non-Executive Directors do not participate in any annual bonus plan or pension arrangements. The Company repays the reasonable expenses that Non-Executive Directors incur in carrying out their duties as Directors. No Non-Executive Director fee increases have been proposed for 2013.

Non-Executive Directors and share options
In the past, as an entrepreneurial AIM company, London Mining has awarded some of its Non-Executive Directors share options. To address shareholder concerns with respect to share options held by Sir Nicholas Bonsor and Graham Mascall, the Board worked with shareholders during 2012 to establish a way to equitably dispense with the share options to enable shareholders to be more confident with their independence. PwC was appointed as an independent consultant to carry out the valuation of the share options. Accordingly, the Board agreed with each of Sir Nicholas Bonsor and Graham Mascall that their respective share options be cancelled in consideration for the payment of a cash sum of £215,550.75 and £129,330.45 respectively. Sir Nicholas Bonsor and Graham Mascall also agreed to use the net proceeds of their respective cash payments to subscribe for 50,905 and 30,543 new shares in the capital of the Company at a price of £1.825 per share and the Company agreed to issue such shares. In future Non-Executive Directors will not participate in any LTIP or share option arrangements.

Post balance sheet events
In February 2013, the remuneration committee reviewed the performance of the Executive Directors during the year against the agreed annual bonus plan KPIs and, as a result, an award of 70% of basic salary was approved as noted above. However, in order to more closely align the interests of the Executive Directors to those of the Company's shareholders, the annual bonus will be fully paid in the form of shares. 50% of the bonus will be paid in ordinary shares of the Company as soon as the Company is out of a close period. The remaining 50% of the bonus will be deferred until the average volume weighted average price of the Company's shares has remained at £2.55 or higher for a period of one month. This target must be achieved within 18 months of the end of the 2012 financial year. Failure to meet the target will result in the award being forfeited.

Signed on behalf of the Board of Directors

Sir Nicholas Bonsor
Chairman of the remuneration committee

Directors' report

The Directors have pleasure in submitting the statutory financial statements for the Group for the year ended 31 December 2012.

Principal activities and business review

London Mining is producing from its Marampa mine in Sierra Leone and developing two other iron ore mines in Saudi Arabia and Greenland. All London Mining's assets have deliverable production with potential for expansion.

A detailed Business Review for the Group as required by section 417 of the Companies Act 2006 can be found in the sections of this Annual Report as listed below. These comment on the operation and development of the business and its future prospects along with details of key performance indicators and the description of the principal risks and uncertainties facing the Group.

- Chairman's statement on pages 04 and 05;
- Chief Executive's strategic review on pages 12 to 14;
- Key Performance Indicators on page 15;
- Operational and Financial reviews on pages 24 to 36;
- Principal risks and uncertainties on pages 44 to 49;

This Business Review and other sections of this Annual Report contain forward looking statements. The extent to which the Company shareholders or anyone may rely on these forward looking statements is set out in section 7 of the Financial Review.

Dividends

The Directors recommend that no final dividend be paid for the year. No interim dividend was paid during the year.

Share capital

The Company's authorised and issued share capital as at 31 December 2012, together with details of share allotments and purchases of own shares during the year, are set out in note 26 on pages 104 and 105.

Details of employee share schemes are set out in note 28 on pages 106 and 107.

Going concern

The financial position, cash flows and liquidity position of the Group are set out in the Financial Review on pages 32 to 36.

Directors

Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 52 and 53.

The Directors who served throughout the year are as follows:

Executive Directors	Non-Executive Directors
Graeme Hossie	Dr Colin Knight[1]
Rachel Rhodes	Sir Nicholas Bonsor
Ben Lee	Colin Harris
	Graham Mascall[2]
	Malcolm Groat
	Luciano Ramos
	Michael Miles[3]

[1] Will retire from the Board on 22 May 2013.
[2] Will retire from the Board on 21 March 2013.
[3] Appointed to the Board on 5 December 2012.

Sir Nicholas Bonsor and Luciano Ramos will retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election. Michael Miles will be offering himself for election as this will be the first AGM since his appointment on 5 December 2012. Alan Ferguson will be offering himself for election as this will also be the first AGM since his appointment on 21 March 2013.

The Board believes that each Director seeking re-election is an effective member of the Board and demonstrates commitment to their respective roles.

Directors' interests

The Directors who held office at 31 December 2012 had the following interests either directly or through related parties or entities in which the Directors had a beneficial interest in the ordinary shares of the Company:

Name of Director	Number	% owned[1]
Graeme Hossie	6,989,836	5.05
Dr Colin Knight	502,000	0.36
Luciano Ramos	1,259,667	0.91
Benjamin Lee	50,000	0.04
Sir Nicholas Bonsor	118,205	0.08
Graham Mascall	30,543	0.02
Rachel Rhodes	85,000	0.06

[1] Based on issued share capital at 20 March 2013.

Details of Directors' share options and benefits under the Long Term Incentive Plan (LTIP) are set out in the Directors' remuneration report on pages 65 to 72. No Director had any dealings in the shares of the Company between 31 December 2012 and 20 March 2013, being a date less than one month prior to the date of the notice convening the AGM.

Directors' indemnities

The Group has made qualifying third-party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report. The Company has purchased Directors and Officers Liability Insurance which remains in place at the date of this report.

Charitable and political contributions

The Group has made no donations to charitable organisations during the year, but operates sustainability initiatives as set out on pages 37 to 43.

Directors' report
continued

Substantial shareholdings

The Company had been advised in accordance with the Disclosure and Transparency Rules of the Financial Services Authority of the following notifiable interests (whether directly or indirectly held) in its voting rights:

TR-1 notified holdings – up to 19 March 2013

F&C Asset Management Plc	10.11%
Standard Life Investments Ltd	9.62%
BlackRock, Inc.	9.41%
BGF World Mining Fund Natural Resources	6.04%
Government of Singapore Investment Corporation Pte Ltd	9.26%
Investec Asset Management Ltd	5.03%
FIL Limited	3.85%

TR-1 notified holdings – up to 31 December 2012

F&C Asset Management Plc	10.11%
Government of Singapore Investment Corporation Pte Ltd	9.26%
BlackRock, Inc.	8.44%
BGF World Mining Fund Natural Resources	6.04%
Standard Life Investments Ltd	6.03%
Morgan Stanley (Institutional Securities Group and Global Wealth Management)	5.18%
Investec Asset Management Ltd	5.03%
FIL Limited	4.22%

Supplier payment policy

The Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of terms of payment and abide by the terms of payment.

Value of land

Land is carried in the financial statements at cost. It is not practical to estimate the market value of land and mineral rights since these depend on commodity prices over the next 20 years or more, which will vary with market conditions.

Disabled employees

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that career development of disabled persons be, as far as possible, identical to that of other employees.

Post balance sheet events

Post balance sheet events are set out in note 34 of the financial statements on page 112.

Auditors

Each of the persons who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming AGM.

Approval

This report was approved by the Board of Directors of the Company and signed on its behalf by:

Rohit Bhoothalingam
Company Secretary
20 March 2013

Statement of Directors' responsibilities

For the year ended 31 December 2012

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Chief Executive Officer
Graeme Hossie
20 March 2013

Chief Financial Officer
Rachel Rhodes
20 March 2013

Governance

Financial statements for the year ended 31 December 2012

Marampa

London Mining employs over 1,200 people at its Marampa operation in Sierra Leone.

>90%

of our employees are from Sierra Leone

Independent auditor's report to the members of London Mining Plc

We have audited the financial statements of London Mining Plc for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes 1 to 35, the parent company balance sheet, the parent company statement of changes in equity, the parent company cash flow statement and the related notes 1 to 5. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matters

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the provisions of the Companies Act 2006 that would have applied were the Company a quoted company.

Although not required to do so, the Directors have voluntarily chosen to make a corporate governance statement detailing the extent of their compliance with the UK Corporate Governance Code. We reviewed:

- the Directors' statement, contained within the Directors' report, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Christopher Thomas
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
20 March 2013

Financial statements

Consolidated income statement

Continuing operations	Note	Year ended 31 December 2012 USD'000	2011 Restated[1] USD'000
Revenue	5	**120,560**	–
Cost of sales		**(112,539)**	–
Gross profit		**8,021**	–
Administrative expenses		**(35,181)**	(37,600)
Loss from operations	7	**(27,160)**	(37,600)
Impairments		**–**	(3,311)
Fair value gains	23	**7,489**	–
Finance income	10	**969**	2,908
Finance costs	11	**(39,317)**	(2,749)
Loss before taxation		**(58,019)**	(40,752)
Taxation	12	**29,688**	(20,563)
Loss for the year after taxation from continuing operations		**(28,331)**	(61,315)
Discontinued operations:			
(Loss)/profit after tax from discontinued operations	13	**(79,520)**	1,283
Loss for the period attributable to owners of the Company		**(107,851)**	(60,032)
Basic and diluted (loss)/profit per share (USD per share)			
From continuing operations	14	**(0.21)**	(0.55)
From discontinued operations	14	**(0.59)**	0.01
From continuing and discontinued operations		**(0.80)**	(0.54)

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2012 USD'000	2011 USD'000
Loss for the year		**(107,851)**	(60,032)
Net (loss)/gain on cash flow hedge	23	**(3,560)**	8,718
Net loss recognised directly in equity		**(111,411)**	(51,314)
Transferred to income statement: realised gains included in revenue	23	**(8,718)**	–
Transferred to income statement: sale of asset held for sale		**–**	91
Total transferred from equity		**(8,718)**	91
Total comprehensive loss for the year		**(120,129)**	(51,223)

[1] The Colombia operations are considered discontinued. See note 13.

Consolidated balance sheet

As at 31 December

	Note	2012 USD'000	2011 USD'000
Intangible assets	15	**93,237**	126,161
Property, plant and equipment	16	**424,263**	301,387
Deferred tax asset	17	**10,351**	2,164
Loans and receivables		**200**	–
Non-current inventories	18	**3,056**	–
Total non-current assets		**531,107**	429,712
Current inventories	18	**23,666**	6,841
Current loans and receivables	19	**29,768**	6,962
Derivative financial instruments	23	**–**	8,718
Cash and cash equivalents	20	**92,652**	67,832
Assets classified as held for sale	13	**6,419**	–
Total current assets		**152,505**	90,353
Total assets		**683,612**	520,065
Trade and other payables	21	**(71,450)**	(61,136)
Other financial liabilities	23	**(9,435)**	–
Current tax liabilities		**–**	(425)
Borrowings	24	**(116,157)**	(92,070)
Obligations under finance leases	22	**(750)**	–
Deferred consideration payable	13	**–**	(7,574)
Liabilities directly associated with assets held for sale	13	**(2,640)**	–
Total current liabilities		**(200,432)**	(161,205)
Borrowings	24	**(131,014)**	(90,485)
Obligations under finance leases	22	**(17,760)**	–
Other financial liabilities	23	**(134,986)**	(28,836)
Deferred consideration payable	13	**–**	(3,023)
Deferred tax liabilities	17	**–**	(19,337)
Restoration and decommissioning provision	25	**(3,882)**	(1,405)
Total non-current liabilities		**(287,642)**	(143,086)
Total liabilities		**(488,074)**	(304,291)
Total net assets		**195,538**	215,774
Equity			
Share capital	26	**488**	412
Share premium account		**117,513**	25,021
Merger reserve		**12,000**	12,000
Shares held in employee benefit trust		**(3,919)**	(4,180)
Other reserves		**38,406**	44,463
Retained earnings		**31,050**	138,058
Equity attributable to equity holders of the parent		**195,538**	215,774

The financial statements of London Mining Plc (Company Number 05424040) were approved by the Board of Directors on 20 March 2013 and are signed on their behalf by:

Graeme Hossie
Chief Executive Officer

Rachel Rhodes
Chief Financial Officer

Financial statements

Consolidated statement of changes in equity

	Share capital USD'000	Share premium account USD'000	Merger reserve USD'000	Shares held in employee benefit trust USD'000	Retained earnings USD'000	Warrant and option reserve[1] USD'000	Hedging and foreign exchange reserve USD'000	Convertible debt reserve USD'000	Equity attributable to equity holders of the parent USD'000
Balance at 31 December 2010	411	21,803	12,000	(5,411)	196,962	13,144	5,445	–	244,354
Total comprehensive loss for the year	–	–	–	–	(60,032)	–	8,809	–	(51,223)
Issue of share capital	1	772	–	–	–	–	–	–	773
Recognition of share-based payments	–	377	–	1,231	1,128	(491)	–	–	2,245
Equity component of convertible bond	–	–	–	–	–	–	–	17,556	17,556
Return of stamp duty[2]	–	2,069	–	–	–	–	–	–	2,069
Balance at 31 December 2011	**412**	**25,021**	**12,000**	**(4,180)**	**138,058**	**12,653**	**14,254**	**17,556**	**215,774**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(107,851)**	**–**	**(12,278)**	**–**	**(120,129)**
Issue of share capital	**76**	**92,492**	**–**	**–**	**–**	**–**	**–**	**–**	**92,568**
Recognition of share-based payments	**–**	**–**	**–**	**261**	**843**	**6,221**	**–**	**–**	**7,325**
Balance at 31 December 2012	**488**	**117,513**	**12,000**	**(3,919)**	**31,050**	**18,874**	**1,976**	**17,556**	**195,538**

[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] In August 2011 GBP 1.3 million (USD 2.1 million) was received from HM Revenue & Customs as a refund on stamp duty incorrectly paid when the Company listed on the Oslo Axess.

Consolidated cash flow statement

	Note	2012 USD'000	2011 Restated[1] USD'000
		Year ended 31 December	
Cash flows from operating activities – continuing operations	27	**(17,229)**	(27,355)
Cash flows from operating activities – discontinued operations	13	**(13,565)**	(7,190)
Cash flows from operating activities – total Group		**(30,794)**	(34,545)
Payments to acquire intangible assets		**(9,937)**	(30,323)
Purchase of property, plant and equipment		**(167,911)**	(166,487)
Proceeds received from sale of assets held for sale		**–**	24,762
Net cash outflow from investing activities – continuing operations		**(177,848)**	(172,048)
Net cash outflow from investing activities – discontinued operations	13	**(14,113)**	(20,839)
Net cash outflow from investing activities – total Group		**(191,961)**	(192,887)
Interest received		**336**	179
Interest paid		**(17,389)**	(4,851)
Repayments of obligations under finance leases	22	**(4,159)**	–
Net cash inflow on share capital issued[2]		**87,103**	–
Net cash inflow on share capital issued on exercise of options[3]	28	**1,192**	377
Net proceeds from borrowings	24	**53,350**	192,438
Net proceeds from sale-and-leaseback transactions	22	**18,352**	–
Consideration for future royalty payments	23	**108,930**	28,379
Return of stamp duty		**–**	2,069
Net cash inflow from financing activities – continuing operations		**247,715**	218,591
Net cash inflow/(outflow) from financing activities – discontinued operations	13	**41**	(42)
Net cash inflow from financing activities – total Group		**247,756**	218,549
Net increase/(decrease) in cash and cash equivalents		**25,001**	(8,883)
Cash and cash equivalents at beginning of year		**67,832**	76,038
Exchange differences		**(39)**	677
Cash and cash equivalents at end of year		**92,794**	67,832
Included within assets held for sale		**142**	–
Group cash and cash equivalents		**92,652**	67,832

[1] The Colombia operations are considered discontinued. See note 13.
[2] The Company raised USD 87.1 million net of issue costs through placing 22,685,000 new ordinary shares at 255 pence per share. 11,199,214 shares were issued on 27 January 2012 with the remaining shares issued after shareholder approval was given at a general meeting held on 13 February 2012.
[3] In the year 30,000 options were exercised at GBP 1.31 per share and 527,000 options were exercised at GBP 1.74 per share.

Notes to the consolidated financial statements

1. General information

London Mining Plc is a company incorporated in the United Kingdom under the Companies Act and listed on the AIM stock exchange. The address of the registered office is 103 Wigmore Street, London W1U 1QS. The nature of the Group's operations and its principal activities are set out in note 5 and in the Operational and Financial Review on pages 24 to 36.

Going concern

As at 31 December 2012, the Group had cash on hand of USD 92.7 million. On 18 March 2013, London Mining agreed a revised corporate debt facility of USD 165 million, which will replace the previous USD 90 million corporate facility which is repayable in October 2013 and enable the consolidation of certain unsecured loans into the one secured facility. The revised facility has a tenure of two years and ten months ending in January 2016 with the first repayment due in April 2014.

Prior to the drawdown of this facility, the Group must satisfy certain conditions precedent. These conditions are primarily procedural items and are within the control of management but also specifically include a requirement to convert the tailings resource of 34.5Mt to a 25Mt reserve, which will need to be completed by August 2013. The Group has engaged a third party consultant to complete this work and the Directors consider that the conversion is a matter of process with negligible risk. The Directors expect to drawdown the facility in early quarter two 2013.

In addition, the facility is subject to certain conditions subsequent. The Directors do not consider these conditions to be onerous and none require satisfaction within twelve months from the date of these financial statements. The facility agreement contains certain financial covenants all of which are forecast to be met.

London Mining has, assuming the USD 165 million facility can be drawn, sufficient cash resources to expand Marampa to a target production of 5Mtpa and to fund the other committed activities of the Group for at least 12 months from the date of these financial statements. Project funding for the more capital intensive projects in Greenland and Saudi Arabia will be sought from external sources into these projects directly, with financial and strategic partners being considered.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the timing of project commissioning, show that, including the revised USD 165 million facility, the Group has sufficient liquidity to fund its committed expenditure. The Directors are satisfied that the Group will continue in operational existence for the foreseeable future; and accordingly the Group continues to adopt the going concern basis (see page 73 of the Directors' Report).

2. New and revised International Financial Reporting Standards

(a) Adoption of new and revised International Financial Reporting Standards

There are no standards or interpretations which apply for the first time in the year ended 31 December 2012 that have had a material impact on the Group.

(b) New IFRS accounting standards and interpretations not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not been adopted by the EU):

IFRS 9 *Financial Instruments* (effective for periods beginning on or after 1 January 2015)
IFRS 10 *Consolidated Financial Statements* (effective for periods beginning on or after 1 January 2013)
IFRS 11 *Joint Arrangements* (effective for periods beginning on or after 1 January 2013)
IFRS 12 *Disclosure of Interest in Other Entities* (effective for periods beginning on or after 1 January 2013)
IFRS 13 *Fair Value Measurement* (effective for periods beginning on or after 1 January 2013)
IAS 27 (reissued) *Separate Financial Statements* (effective for periods beginning on or after 1 January 2013)
IAS 28 (reissued) *Investments in Associates and Joint Ventures* (effective for periods beginning on or after 1 January 2013)
IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine* (effective for periods beginning on or after 1 January 2013)

The Directors anticipate that the adoption of these standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

3. Significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair value. The principal accounting policies adopted are set out below.

3. Significant accounting policies continued

The Group has taken advantage of the exemption under section 405 of the Companies Act 2006 and consequently the income statement of the parent company is not presented as part of these financial statements. The net loss recorded by the parent company for the financial year amounted to USD 112.8 million (2011 loss: USD 21.7 million).

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition, or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra group transactions, balances, income and expenses are eliminated on consolidation.

(c) Investments in joint ventures and associates

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

An associate is an entity over which the Group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee.

The results, assets and liabilities of joint ventures and investments in associates are incorporated in the financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of fair values of the identifiable assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. If the Group's share of the fair values of the identifiable net assets of the associate at the date of acquisition exceeds the cost of acquisition the difference is credited in the income statement in the period of acquisition.

(d) Foreign currencies

The functional currency for each entity in the Group is determined as the currency of the primary economic environment in which it operates.

Transactions entered into by Group entities in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Exchange differences are recognised in the consolidated income statement in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and are recognised in the Group's foreign exchange reserve. On disposal these exchange differences are recycled to form part of the Group's calculation of the profit and loss on disposal.

(e) Business combinations and goodwill arising thereon

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated income statement.

The interest of minority shareholders in the acquiree is initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Notes to the consolidated financial statements
continued

3. Significant accounting policies continued

(f) Assets held for sale and discontinued operations
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Disposal groups are groups of assets, and liabilities directly associated with those assets, that are to be disposed of together as a group in a single transaction.

Non-current assets (and disposal groups) classified as held for sale are initially measured at the lower of carrying value and fair value less costs to sell. At subsequent reporting dates non-current assets (and disposal groups) are remeasured to the latest estimate of fair value less costs to sell. As a result of this remeasurement any impairment is recognised by charging to the Consolidated Income Statement, any increase in fair value is applied to reverse previous impairment charges on the non-current assets (or disposal groups) to a maximum of the original amortised cost.

A discontinued operation is a component of the Group's business that has been sold or is classified as held for sale and is part of a single coordinated plan to dispose of either a major line of business or geographical area of operation. Once an operation has been identified as discontinued, its net profit and cash flows are separately presented from continuing operations. Comparative information is reclassified so that net profit and cash flows of prior periods are also separately presented.

(g) Revenue recognition
Revenue represents the net invoice value of goods and is measured at the fair value of consideration received or receivable, after deducting discounts, volume rebates, value added tax and other sales taxes.

A sale is recognised when the significant risks and rewards of ownership have passed, and when revenue can be measured reliably. This is generally when title and any insurance risks have passed to the customer, and the goods have been delivered to a contractually agreed location.

Gains and losses on matured hedges are included within revenue as these pertain to gains or losses as iron ore hedges are settled and the actual price is received.

(h) Finance income
Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised in the income statement as it accrues, using the effective interest rate method.

(i) Finance costs
Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, the accumulation of interest on provisions; interest on obligations under finance leases and foreign exchange losses.

(j) Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of any deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised.

3. Significant accounting policies continued

(k) Intangible assets (exploration and evaluation expenditure)

The costs of exploration properties and leases, which include the cost of acquiring prospective properties and exploration rights, are capitalised as intangible assets.

Mineral rights and exploration and evaluation costs arise from expenditure incurred prior to development activities and include the cost of acquiring and maintaining the rights to explore, investigate, examine and evaluate an area for mineralisation. These costs include metallurgical testing, conducting geological and environmental studies, exploratory drilling and sampling, market studies, engineering consulting and other such costs incurred in evaluating the technical feasibility and commercial viability of extracting a mineral resource.

Mineral rights and exploration and evaluation expenditure are capitalised within intangible assets until such time that the activities have reached a stage which permits a reasonable assessment of the existence of commercially exploitable reserves. Once this has occurred, the respective costs previously held as intangible assets are transferred to mineral properties within property, plant and equipment.

Capitalised exploration and evaluation expenditure is assessed for impairment in accordance with the indicators set out in IFRS 6 *Exploration for and Evaluation of Mineral Reserves*. In circumstances where a property is abandoned, the cumulative costs relating to the property are written off.

(l) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses.

Each item's estimated useful life is based on the physical life limitation of the specific asset. Estimates of remaining useful lives are made on a regular basis for all mine buildings, plant and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively and depreciation commences when the item is available for use.

Capitalisation ceases when commercial levels of production are achieved; at such point mineral properties are depreciated on a units of production basis based on proved and probable reserves.

Buildings and plant and equipment are depreciated down to their residual values at varying rates, on a straight-line basis over their estimated useful lives or life of the mine, whichever is shorter. Estimated useful lives normally vary from up to 20 years for items of plant and equipment to a maximum of 25 years for buildings. Fixtures and fittings are depreciated over three years.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised. Assets under construction are capitalised and included as work in progress at purchase price plus directly attributable costs to bring the asset into working condition for its intended use. On completion, construction in progress is transferred to the appropriate category of property, plant and equipment.

(m) Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in the consolidated income statement.

Goodwill arising on business combinations is allocated to the Group of cash generating units (CGUs) that are expected to benefit from the synergies of the combination and represents the lowest level at which goodwill is monitored by the Group's Board of Directors for internal management purposes. The recoverable amount of the CGUs or group of CGUs to which goodwill has been allocated is tested for impairment annually on a consistent date during each financial year, or when events or changes in circumstances indicate that it may be impaired. Any impairment is recognised immediately in the income statement. Impairments of goodwill are not subsequently reversed.

Notes to the consolidated financial statements
continued

3. Significant accounting policies continued

(n) Inventories

Inventory is stated at the lower of cost and net realisable value. Cost includes all costs incurred in the normal course of business in bringing each product to its present location and condition. Cost for raw materials and consumables is purchase price and for work in progress and finished goods is the cost of production, including the appropriate proportion of depreciation and overheads. Raw materials and consumables are stated on a first-in first-out (FIFO) basis. The cost of work in progress and finished goods is based on the weighted average cost method. In the case of work in progress and finished goods, cost includes an appropriate share of overheads based on normal operating capacity.

Net realisable value is based on estimated selling price in the ordinary course of business less any further costs expected to be incurred to completion and disposal.

(o) Receivables

Trade receivables do not carry any interest and are stated at their nominal value net of an appropriate allowance for estimated irrecoverable amounts.

(p) Loans and receivables

In the consolidated balance sheet, the Group's financial assets investments have all been classified as 'loans and receivables'. These are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method. The Company's financial asset investments include amounts owed by subsidiaries, classified as 'loans and receivables' and equity holdings in subsidiaries and associates, which are held at cost less any provision for impairment. Provision is raised against these assets when there is a doubt over future realisation as a result of a known event or circumstance.

Derivatives embedded in financial instruments (including rights to convert loan receivables to equity investments) or non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of their host contracts and the host contracts themselves are not carried at fair value with unrealised gains or losses reported in the income statement. Changes in the fair value of such derivative instruments are recognised immediately in the income statement.

Convertible bonds are regarded as compound instruments, consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt and is recorded within borrowings and carried at amortised cost. The difference between the proceeds of issue of the convertible bond and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group is included within equity and not revalued.

(q) Cash and cash equivalents

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

(r) Borrowings

Interest bearing bank borrowings are recorded at the proceeds received, net of direct transaction costs. Interest is accounted for on an accruals basis using the effective interest method.

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the income statement in the period in which they are incurred. Finance charges are accounted for on an accruals basis and charged to the income statement using the effective interest method. They are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(s) Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value or amortised cost.

3. Significant accounting policies continued

(t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event for which it is probable that an outflow of an economic benefit will occur. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

The Group has an obligation to incur restoration, rehabilitation and environmental costs when environmental disturbance is caused by the development or ongoing production of a mining property. These costs are estimated on the basis of a formal closure plan and are subject to regular review. Such costs are discounted to net present value and are provided for and capitalised at the start of each project, as soon as the obligation to incur costs arises. Provision is not made for additional obligations expected to arise from future disturbance and costs of subsequent site damage created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

At the time of establishing the provision, a corresponding asset is capitalised and depreciated through operating costs. The provision is discounted to present value and the unwinding of the discount is included in finance costs.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(u) Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(v) Share-based payments (including warrants)

The Group issues equity-settled share-based payments to certain employees and consultants. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. With the exception of share-based payments with performance conditions dependent upon Total Shareholder Return (TSR), which are valued using the Monte Carlo methodology, the fair value is determined at grant date by use of a Black Scholes model and taking account of market based vesting conditions.

(w) Return Bonus Plan

The London Mining Return Bonus Plan (the RBP) was adopted by the Group on 4 September 2008. Under the RBP, cash bonus awards can be made to participants in the London Mining Plc Share Option Plan, the London Mining Plc No. 1 (employees only) Share Option Plan (together, the Plans) and the LTIP if either a special dividend or return of share capital is made by the Company (the Return of Cash) after the date of grant of the bonus award but prior to the exercise/vesting of the related option/LTIP award granted under the Plans/LTIP and no compensating adjustment is made to such option/LTIP award to take account of the Return of Cash. Participants in the LTIP have the choice to participate in the RBP or to have a compensatory adjustment made to the number of their underlying awards.

The bonus awards granted under the RBP entitle participants to receive a cash payment equal to the number of ordinary shares under the related option/LTIP award multiplied by the aggregate amount due per ordinary share under the Return of Cash. The bonus awards vest and lapse in accordance with the terms of the related option/LTIP award held under the Plans/LTIP, and are accounted for in accordance with the Group's policy for share-based payments, set out above.

(x) Derivative financial instruments and hedge accounting

The Group uses iron ore forward contracts and non-deliverable foreign exchange forward contracts as derivatives to manage the risks associated with commodity and foreign exchange risks.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date, using quoted market prices for derivative financial instruments that are traded on an active market, or appropriate valuation techniques for those that are not traded on an active market. The resulting gain or loss on revaluation is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. The Group designates certain derivatives as hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Notes to the consolidated financial statements continued

3. Significant accounting policies continued

Hedge accounting

At the inception of a designated hedge accounting relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument has been and is expected to be highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'fair value' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are recycled to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship; the hedging instrument expires or is sold, terminated or exercised; or no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income at that time is accumulated in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

(y) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised in accordance with the Group's policy on borrowing costs.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits for the lease are consumed.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

(a) Impairment of assets

The Group reviews the carrying value of its intangible assets and property, plant and equipment to determine whether there is any indication that those assets are impaired. The recoverable amount of those assets is measured at the higher of their fair value less costs to sell and value in use.

Directors necessarily apply their judgement in estimating the probability, timing and value of underlying cash flows and in selecting appropriate discount rates and useful economic lives to be applied within the value in use calculation. Such estimates and forecasts include commodity prices, foreign exchange rates, capital expenditure, future commissioning dates, production targets, operating costs and timelines of the granting of licences and permits. Subsequent changes to estimates and assumptions in the value in use calculation could impact the carrying value of the respective assets.

The carrying value is also dependent on the estimate of mining reserves and resources, for which there are inherent uncertainties as the estimation is a subjective process based on the quality and quantity of available data.

4. Critical accounting judgements and key sources of estimation uncertainty continued

(b) Valuation of share-based payments

In order to value options and warrants granted, the Group has made judgements as to the volatility of its own ordinary shares, the probable life of the options and warrants granted and the time of exercise of those options and warrants. During the year ended 31 December 2012 and 31 December 2011, the Group has used Black Scholes methodology for valuing share-based payments. During the year ended 31 December 2012 the Group has also used the Monte Carlo methodology for valuing share-based payments with vesting conditions dependent upon Total Shareholder Return.

(c) Tax provisions

Judgement is required in determining tax positions for the Group as it is subject to tax in several jurisdictions. Assessments are made on the advice of independent tax advisors and through consultation with relevant tax authorities. While the Directors believe that these estimates and forecasts are reasonable, actual results could vary significantly from these estimates.

(d) Estimation of provision for restoration and rehabilitation costs and timing of expenditure

Estimating the cost of settling the legal or constructive obligation for rehabilitation, including decommissioning and dismantling equipment and restoring the mine site from damage caused to the environment during the development can be complicated and subjective. These costs are likely to be significant and are likely to be impacted by future regulatory obligations, future technological developments and the future costs of engineers and other skilled labour. Determining the timing of future cash flows and an appropriate discount rate will also impact the provision required.

Where Directors believe that the provisions for restoration and rehabilitation will be significant, the Group obtains third party valuations to estimate the likely cost. These judgements and estimates are based on management's best knowledge of the relevant facts and circumstances but actual results may differ from the amounts included in the financial statements.

(e) Determining the fair value of liabilities at fair value through profit and loss

Estimating the fair value of future royalty payments that qualify for recognition as at fair value through profit and loss requires judgement from management over the expected production profile; grade; appropriate discount rates and prices. It is also dependent on the estimate of mining reserves and resources, for which there are inherent uncertainties as the estimation is a subjective process based on the quality and quantity of available data.

5. Revenue

From 1 January 2012 the Marampa iron ore mine entered commercial production. From this point all revenues have been recognised in the income statement with the attributable costs recorded in cost of sales.

The Group's revenue all relates to continuing operations and arises from the sale of 1,191k dmt (1,279k wmt) of iron ore concentrate from the Group's Marampa iron ore mine in Sierra Leone. All revenue in the period is attributable to an external customer (Glencore International AG) under an offtake agreement signed in January 2011.

A portion of the Group's revenue from the sale of goods was cash flow hedged. A USD 12.4 million gain has been recycled through revenue on hedges settled in the year ended 31 December 2012 (2011: USD nil).

Notes to the consolidated financial statements
continued

6. Segment reporting

The Group operated in four principal geographical areas in the period: Sierra Leone; Greenland; Saudi Arabia and Colombia. At 31 December 2012, Colombia has been considered a discontinued operation and the comparatives adjusted accordingly (see note 13).

Segment revenues and results

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

	Note	Year ended 31 December 2012 USD'000	Year ended 31 December 2011 Restated USD'000
Revenue – iron ore – Sierra Leone	5	**120,560**	–
Segment result			
Sierra Leone		**20,423**	(12,825)
Greenland		**(2,344)**	(1,460)
Saudi Arabia		**(552)**	(684)
Unallocated costs including corporate		**(31,684)**	(21,395)
Group EBITDA		**(14,157)**	(36,364)
Depreciation and amortisation		**(13,003)**	(1,236)
Loss from operations		**(27,160)**	(37,600)
Impairments		**–**	(3,311)
Fair value gains	23	**7,489**	–
Finance income	10	**969**	2,908
Finance costs	11	**(39,317)**	(2,749)
Loss before taxation from continuing operations		**(58,019)**	(40,752)

EBITDA includes USD 5.9 million (2011: USD 1.6 million) unallocated costs for non-cash charges in relation to share-based payments (note 28). There are no other material non-cash charges included in EBITDA.

Segment assets and liabilities

	Segment assets		Segment liabilities	
	31 December 2012 USD'000	31 December 2011 USD'000	31 December 2012 USD'000	31 December 2011 USD'000
Sierra Leone	**500,653**	290,307	**(195,552)**	(57,935)
Greenland	**65,646**	62,999	**(30,223)**	(32,715)
Saudi Arabia	**25,987**	25,308	**(15)**	(31)
Unallocated including corporate	**84,907**	71,880	**(259,644)**	(200,037)
	677,193	450,494	**(485,434)**	(290,718)
Discontinued operations: Colombia	**6,419**	69,571	**(2,640)**	(13,573)
Total	**683,612**	520,065	**(488,074)**	(304,291)

For the purposes of monitoring segment performance and allocating resources between segments, all assets and liabilities are allocated to reportable segments other than assets and liabilities held within corporate head office or Jersey investment companies.

6. Segment reporting continued

Segment depreciation and additions to non-current assets

	Depreciation and amortisation		Additions to non-current assets[1]	
	Year ended 31 December 2012 USD'000	Year ended 31 December 2011 Restated USD'000	**Year ended 31 December 2012 USD'000**	Year ended 31 December 2011 USD'000
Iron ore projects				
Sierra Leone	**12,402**	615	**160,621**	205,139
Greenland	**364**	313	**5,246**	30,299
Saudi Arabia	**–**	10	**665**	2,301
Unallocated including corporate	**237**	298	**175**	625
Continuing operations	**13,003**	1,236	**166,707**	238,364
Discontinued operations: Colombia	**465**	202	**15,342**	22,372
Total	**13,468**	1,438	**182,049**	260,736

[1] The non-current asset additions above comprise additions to non-current assets other than financial instruments and deferred tax assets.

Segment non-current assets

	31 December 2012 USD'000	31 December 2011 USD'000
Sierra Leone	**429,197**	280,978
Greenland	**65,117**	60,235
Saudi Arabia	**25,919**	25,254
United Kingdom	**523**	584
	520,756	367,051
Discontinued operations: Colombia	**–**	60,497
Total	**520,756**	427,548

Non-current assets stated above exclude deferred tax assets and are net of impairments.

7. Loss from operations

Loss from operations is stated after charging:

	Note	**2012 USD'000**	2011 Restated USD'000
Return Bonus Plan[1]		**6**	421
Share-based payments	28	**5,854**	1,614
Depreciation and amortisation		**13,003**	1,236

[1] Details of the Return Bonus Plan (RBP) are set out in Note 3(w). 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 RBP to all optionholders and two LTIP awardholders. Payments are due on vesting of the related option/LTIP award. The charges to the income statement in the periods presented represent the non-cash charges. Cash payments in the year were USD 0.6 million (2011: USD 1.8 million) and a further USD 1.9 million is due (subject to the return bonus plan rules), although this would be offset by USD 1.6 million proceeds from the exercise of respective options granted in 2009.

Notes to the consolidated financial statements
continued

8. Auditor's remuneration

Fees payable to the Group's auditors are as follows:

	2012 USD'000	2011 Restated USD'000
Audit of the Group's statutory accounts	**261**	220
Audit of the Company's subsidiaries	**25**	28
Total audit fees	**286**	248
Interim review fees	**118**	117
IT consultancy services	**–**	54
Other services	**194**	46
Total non-audit fees	**312**	217

9. Staff costs

The average monthly number of employees for continuing operations (including Directors) was:

	2012 Number	2011 Restated Number
Marampa (Sierra Leone)	**1,283**	983
Isua (Greenland)	**5**	3
Wadi Sawawin (Saudi Arabia)	**3**	4
Corporate	**31**	22
Technical Services team	**5**	5
	1,327	1,017

	2012 USD'000	2011 Restated USD'000
Directors' and key management personnel:		
Wages and salaries	**6,890**	4,656
Social security costs	**688**	842
Contribution to private health schemes	**55**	16
Share-based payment expense[1]	**2,474**	1,000
	10,107	6,514
Staff other than Directors and key management personnel:		
Wages and salaries	**35,330**	23,004
Social security costs	**973**	673
Superannuation	**80**	50
Contribution to private health schemes	**470**	328
Employer's liability insurance	**21**	19
Share-based payment expense[1]	**1,500**	863
	38,374	24,937
Amounts capitalised	**(19,377)**	(15,407)
Total staff costs charged to income statement	**29,104**	16,044

[1] The amount in respect of share-based payments is non-cash and relates solely to equity settled arrangements. Included within share-based payments is USD 285,000 which has been capitalised.

9. Staff costs continued

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group, being the Directors of the Group and other department heads.

10. Finance income

	2012 USD'000	2011 Restated USD'000
Interest income from cash and cash equivalents	**336**	161
Exchange gains	**633**	2,747
	969	2,908

11. Finance costs

	Note	2012 USD'000	2011 Restated USD'000
Borrowing costs	24	**27,494**	14,213
Finance expense on other financial liabilities		**10,716**	457
Interest on obligations under finance leases	22	**3,945**	–
Interest and other finance expense		**1,270**	1,267
Exchange losses		**1,371**	2,297
		44,796	18,234
Less: interest expense capitalised as intangible assets	15	**(659)**	(457)
Less: interest expense capitalised as property, plant and equipment	16	**(4,820)**	(15,028)
Total interest expense		**39,317**	2,749

12. Taxation

	2012 USD'000	2011 Restated USD'000
Income tax recognised in the income statement:		
Analysis of charge in year:		
Current tax	**–**	–
Deferred tax (credit)/charge relating to origination and reversal of temporary differences	**(29,688)**	20,563
	(29,688)	20,563
Analysis of charge in year:		
Loss before taxation	**(58,019)**	(40,752)
Expected tax credit based on rate of corporation tax in Sierra Leone of 30% (2011: 30%)	**(17,406)**	(12,226)
Effect of reduced tax rates in the Mining Lease Agreement	**(22,821)**	19,032
Different tax rates applied in other jurisdictions	**(316)**	900
Expenses not deductible for taxation, net of investment allowances	**1,097**	1,122
Capital allowances in excess of depreciation	**(1,554)**	(9,144)
Other temporary differences	**1,071**	229
Tax losses not recognised	**11,933**	14,645
Adjustment in respect of prior years	**(1,692)**	6,005
	(29,688)	20,563

During the year, the Group changed the rate to which it reconciles its tax charge from the UK statutory rate to the rate of corporation tax in Sierra Leone as this represents the principal jurisdiction in which the Group operates. Prior year comparatives have been restated.

Notes to the consolidated financial statements
continued

13. Discontinued operations

Discontinued operations relate to the Colombian operation. Following a strategic review in December 2012 and focus on the Group's core iron ore business, the Colombian operation has been placed into care and maintenance and an active sales programme has been initiated. The Directors consider that the business meets the criteria to be classified as held for sale at the balance sheet date as:

- The Directors are committed to selling the operation and an active programme to sell the business has been initiated;
- The operation is available for immediate sale and can be sold in its current condition; and
- The Directors believe it is highly probable that the sale will complete within 12 months.

Due to the size of the Colombia operation and its significance to the Group's results, it has been classified as a discontinued operation in the consolidated income statement and consolidated cash flow statement.

Results from discontinued operations

A single amount is shown on the face of the consolidated income statement comprising the post-tax result of the discontinued operations net of the loss recognised on the re-measurement to fair value less costs to sell. The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

	2012 USD'000	2011 USD'000
Expenses	**(5,278)**	(5,547)
Inventory write-down	**(5,792)**	–
Fair value gains[1]	**10,757**	14,745
Impairment previously reported[1]	**(9,603)**	(10,079)
Exploration costs written off[1]	**(14,548)**	–
Remeasurement to fair value less costs to sell[1]	**(52,892)**	–
Loss before tax	**(77,356)**	(881)
Attributable tax (expense)/credit	**(2,164)**	2,164
(Loss)/profit after tax from discontinued operations	**(79,520)**	1,283

[1] The effective net impairment in the year is USD 66.3 million comprising the impairment previously reported in H1 2012 and the remeasurement to fair value less costs to sell offset by fair value gains relating to the reversal of deferred consideration.

Re-measurements

For the year ended 31 December 2011 an impairment of USD 10.1 million was made in respect of the Colombia operations due to delays to production and increased capital cost caused by heavy rains and certain design changes. In the period to 30 June 2012 further delays to production and prevailing economic conditions led to a further impairment recognised of USD 9.6 million.

As a result of the ongoing weakness of economic conditions in the global coke industry and performance faults in the first 30 coke ovens, the Directors undertook a strategic review of the Colombian business which resulted in the business being placed on care and maintenance prior to a full exit. At that time, the decision was made to not invest additional cash funds to maintain existing tenements and to exit. This resulted in a USD 14.6 million cumulative write down of exploration costs. The re-measurement of the business to fair value less costs to sell has resulted in a further impairment of USD 52.9 million, which reduces the value of the assets in the business to USD nil (other than inventory and cash held in the business).

Fair value gains relating to deferred consideration

As at 31 December 2011 USD 10.6 million (USD 7.6 million presented as current and USD 3.0 million as non-current) was assessed as being payable and recorded on the balance sheet in respect of deferred consideration. Following the performance of the business during the year and the decision to place the business on care and maintenance, it has been concluded that the related performance conditions have not and will not be met and no deferred consideration is payable. Following the unwinding of the discount on the non-current portion of the liability and its subsequent increase, this has resulted in a USD10.8 million gain reported within loss from discontinued operations (2011: USD 14.7 million). As a result USD nil deferred consideration is included within liabilities held for sale.

13. Discontinued operations continued

Balance sheet

The major classes of assets and liabilities comprising the operations classified as held for sale are as follows:

	2012 USD'000
Inventory	**6,277**
Cash and bank balances	**142**
Total assets classified as held for sale	**6,419**
Trade and other payables	**(2,328)**
Tax liabilities	**(312)**
Total liabilities associated with assets classified as held for sale	**(2,640)**
Net assets classified as held for sale	**3,779**

14. Earnings per share

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 year, excluding shares held in the employee benefit trust.

From continuing operations

	2012 USD'000	2011 USD'000
Loss from continuing operations attributable to equity holders of the Company	**(28,331)**	(61,315)
Weighted average number of ordinary shares in issue	**134,244,135**	112,230,625
Total earnings per share attributable to equity holders of the Company	**(0.21)**	(0.55)

From discontinued operations

	2012 USD'000	2011 USD'000
(Loss)/profit attributable to equity holders of the Company	**(79,520)**	1,283
Weighted average number of ordinary shares in issue	**134,244,135**	112,230,625
Total earnings per share attributable to equity holders of the Company	**(0.59)**	0.01
From continuing and discontinued operations	**(0.80)**	(0.54)

Diluted

The outstanding options, warrants, LTIP awards and the impact of the convertible bond at 31 December 2012 and 2011 represent anti-dilutive potential ordinary shares with respect to earnings per share for continuing operations. Therefore, basic and diluted earnings per share are the same for the current and prior year.

Notes to the consolidated financial statements
continued

15. Intangible assets

	Note	Goodwill USD'000	Mineral rights and exploration and evaluation costs USD'000	Other USD'000	Total USD'000
Cost – 1 January 2012		29,616	95,563	1,072	126,251
Additions		–	9,997	1,600	11,597
Impairment	13	(9,603)	–	–	(9,603)
Transferred to held for sale	13	(20,013)	(14,548)	–	(34,561)
31 December 2012		**–**	**91,012**	**2,672**	**93,684**
Amortisation – 1 January 2012		–	–	90	90
Charge for the year		–	–	357	357
31 December 2012		**–**	**–**	**447**	**447**
Net carrying value					
1 January 2012		29,616	95,563	982	126,161
31 December 2012		**–**	**91,012**	**2,225**	**93,237**

Mineral rights and evaluation and exploration costs consist of costs incurred on the exploration of the Group's projects located in Greenland and Saudi Arabia. Colombia has been transferred to "held for sale" (note 13).

The Group has certain licences which will be subject to renewal during 2013 but management has no reason to believe that these will not be renewed in the ordinary course of business. Mineral rights and exploration and evaluation costs will be transferred to property, plant and equipment once the technical feasibility and commercial viability of the respective projects is demonstrable. These costs will then be depreciated on a unit of production basis of tonnes mined over the proven and probable reserves. Software costs capitalised as intangible assets are amortised over three years.

16. Property, plant and equipment

	Note	Land and buildings USD'000	Mineral properties USD'000	Plant and equipment USD'000	Other[1] USD'000	Total USD'000
Cost – 1 January 2012		1,014	55,322	22,451	225,639	304,426
Additions		8,140	14,590	8,481	134,968	166,179
Transfers		38,408	116,388	40,748	(195,544)	–
Transferred to held for sale	13	(1,255)	–	(2,155)	(27,453)	(30,863)
31 December 2012		**46,307**	**186,300**	**69,525**	**137,610**	**439,742**
Depreciation – 1 Jan 2012		8	–	2,339	692	3,039
Charge for the year		2,145	1,638	8,971	357	13,111
Transfers		–	–	443	(443)	–
Transferred to held for sale	13	–	–	(410)	(261)	(671)
31 December 2012		**2,153**	**1,638**	**11,343**	**345**	**15,479**
Net carrying value: 2011		1,006	55,322	20,112	224,947	301,387
Net carrying value: 2012		**44,154**	**184,662**	**58,182**	**137,265**	**424,263**

[1] Included within Other is USD 101.5 million relating to work in progress on Phase 1B at Marampa where construction was completed post-year end.

A fixed and floating security charge has been pledged over all property, plant and equipment in Sierra Leone as security in respect of the USD 190.4 million facility with Standard Chartered Bank of USD 387.1 million (2011: USD 190.4 million).

17. Deferred tax assets and liabilities

Group	Note	Accelerated capital allowances USD'000	Tax losses carried forward USD'000	Total USD'000
31 December 2011		(28,762)	11,589	(17,173)
Transferred to held for sale	13	–	(2,164)	(2,164)
(Charged)/credited to the income statement		(25,369)	55,057	29,688
31 December 2012		**(54,131)**	**64,482**	**10,351**

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2012 USD'000	2011 USD'000
Deferred tax liabilities	**–**	(19,337)
Deferred tax assets	**10,351**	2,164
	10,351	(17,173)

At the balance sheet date, the Group has recognised tax losses in Sierra Leone as the Group is anticipating utilising all tax losses incurred in Sierra Leone against taxable profits within the foreseeable future. In addition the Group has further unused losses of USD 265.0 million (2011: USD 228.8 million) available for offset against future taxable profits for which a deferred tax asset has not been recognised on the basis that it is not considered more likely than not that future taxable profits will arise in the relevant jurisdictions against which the losses could be offset. All tax losses may be carried forward indefinitely. At the balance sheet date, there are no temporary differences associated with undistributed earnings of subsidiaries or associates.

Notes to the consolidated financial statements
continued

18. Inventories

	2012 USD'000	2011 USD'000
Consumables	**2,686**	–
Raw materials	**7,337**	5,476
Finished goods	**16,699**	1,365
	26,722	6,841
Current inventories	**23,666**	6,841
Non-current inventories[1]	**3,056**	–
	26,722	6,841

[1] Non-current inventories relate to oversize material at the Marampa mine in Sierra Leone which is not expected to be processed within 12 months from the reporting date.

The cost of inventories recognised as an expense and included in cost of sales amounted to USD 84.2 million (2011: USD nil).

19. Loans and receivables

	2012 USD'000	2011 USD'000
Trade receivables	**6,179**	–
Prepayments	**13,641**	6,167
Other receivables	**9,948**	795
	29,768	6,962

20. Cash and cash equivalents

Included in cash and cash equivalents is an amount of USD 15.0 million (2011: USD 15.0 million) of restricted cash relating to funds held in reserve in accordance with the Group's covenants as part of the Standard Chartered loan facility (see note 24). USD 7.8 million was also held as collateral for letters of credit at 31 December 2012 (2011: USD nil).

21. Trade and other payables

	2012 USD'000	2011 USD'000
Current liabilities		
Trade and other payables	**23,620**	19,871
Other taxation and social security	**2,730**	3,329
Accruals	**20,138**	29,836
Deferred revenue	**24,962**	8,100
	71,450	61,136

Deferred revenue relates to prepayments received in respect of iron ore sales for the Marampa project.

The Directors consider the fair value of trade and other payables at 31 December 2012 not to be materially different to their carrying value.

22. Obligations under finance leases

Minimum lease payments	2012 USD'000	2011 USD'000
Within one year	**4,635**	–
In the second to fifth years inclusive	**18,555**	–
After five years	**18,357**	–
Less: future finance charges	**(23,037)**	–
Present value of lease obligations	**18,510**	–

Present value of lease obligations	2012 USD'000	2011 USD'000
Within one year	**750**	–
In the second to fifth years inclusive	**5,323**	–
After five years	**12,437**	–
Present value of lease obligations	**18,510**	–
Due within one year	**750**	–
Due greater than one year	**17,760**	–

On 16 January 2012 London Mining completed a sale and leaseback arrangement with Egon Oldendorff (Liberia) Inc (Oldendorff) in relation to the FOTP, the "Pride of Marampa". Under the arrangement, London Mining received net proceeds of USD 18.4 million from the sale of the vessel, and at the same time entered into a 10 year leasing agreement over the same vessel, with an option to purchase the vessel at the end of the Agreement for a nominal amount. This agreement represents a finance lease under which London Mining has recorded the vessel within property, plant and equipment on the balance sheet and recognises a liability for obligations payable under the lease. The "Pride of Marampa" arrived and was discharged into Sierra Leone waters on 3 March 2012. The FOTP was not fully commissioned at 31 December 2012.

23. Other financial liabilities

	2012 USD'000	2011 USD'000
Current		
Royalty funding arrangement – Sierra Leone	**5,875**	–
Forward commodity contracts	**3,560**	–
Other financial liabilities	**9,435**	–

	2012 USD'000	2011 USD'000
Non-current		
Royalty funding arrangement – Sierra Leone	**105,491**	–
Consideration for royalty payments – Greenland	**29,495**	28,836
Other financial liabilities	**134,986**	28,836

The liability for royalty payments for the Sierra Leone project relates to the USD 110 million non-recourse funding received from BlackRock in return for a 2% royalty on net revenues from all sales at the Marampa mine over the life of the mine. The liability has been designated as held at fair value through profit and loss with the fair value re-assessed at the reporting date, in accordance with IFRS, for the impact on the movement in forecast forward prices and other variables on future royalty payments, discounted at a rate reflective of the time value of money and project risk and net of tax. This has resulted in a non-cash finance cost of USD 10.1 million and a non-cash fair value gain of USD 7.5 million.

Notes to the consolidated financial statements
continued

23. Other financial liabilities continued

	USD'000
Deemed fair value on receipt of funding	108,930
Payments made in the year	(132)
Value of royalty payments before fair value adjustment	108,798
Finance expense	10,057
Fair value adjustment recognised in income statement	(7,489)
Fair value of liability at 31 December 2012	**111,366**
Due within one year	5,875
Due greater than one year	105,491
Fair value of liability at 31 December 2012	**111,366**

The liability for future royalty payments for the Greenland project relates to the Anglo Pacific (AP) funding for the Bankable Feasibility Study (BFS). In return for the consideration of USD 30 million, AP is entitled to 1 – 1.4% of all future revenues of the Isua project in Greenland. The USD 30 million has no interest accruing and is otherwise repayable if milestone targets are not met by pre-agreed dates:

a. An exploitation licence obtained by 31 December 2013;

b. Commercial production not occurring before the long stop date of 30 June 2017;

c. A change in control; or

d. The revocation of any right of London Mining to the area defined in the mining licence.

The consideration was received in August 2011 net of issue costs of USD 1.6 million at USD 28.4 million. Until commercial production when the liability will be extinguished and treated as a disposal of the Group's economic interest in the Greenland project, a repayment obligation exists for USD 30 million. This has been treated as a financial liability at amortised cost, being the principal less transaction costs plus accretion of the issue costs (see note 11), as the impact of discounting to a market rate of interest is immaterial. Capitalised accretion in the year was USD 0.7 million.

The forward commodity contracts are for 320,000t of Marampa production from January 2013 to March 2013. The hedged items are the iron ore sales. The hedged risk is the volatility of the iron ore price.

The forward contracts are designated and effective as cash flow hedges and are due for settlement within one year. Profit or loss will be affected with each settlement. All amounts in relation to these hedges have been recognised in other comprehensive income in the period. The forward contracts have been highly effective in the period and no amounts have been recognised in profit or loss in respect of ineffectiveness.

At 31 December 2011 forward commodity contracts were in place for 513,000t of Marampa production from April 2012 to December 2012. The hedges were highly effective in the period and have been transferred on settlement from equity to profit or loss.

24. Borrowings

	Bank loans (secured) USD'000	Convertible bonds (unsecured) USD'000	Offtake financing (unsecured) USD'000	Total USD'000
At 31 December 2011	88,770	93,785	–	182,555
Gross proceeds	–	–	55,000	55,000
Issue costs	–	–	(1,650)	(1,650)
Effective interest	10,051	12,623	4,820	27,494
Interest paid	(7,428)	(8,800)	–	(16,228)
At 31 December 2012	**91,393**	**97,608**	**58,170**	**247,171**
Due within one year	91,393	3,300	21,464	116,157
Due greater than one year	–	94,308	36,706	131,014
	91,393	**97,608**	**58,170**	**247,171**

All borrowings are USD denominated.

24. Borrowings continued

Capitalisation of interest charges in respect of bank loans and convertible bonds ceased when the Marampa iron ore mine in Sierra Leone commenced commercial production on 1 January 2012. Borrowing costs incurred on the Vitol prepayment have been capitalised as the prepayment has been used to increase production capacity from Phase 1B plant that had not yet reached commercial production at 31 December 2012.

The other principal features of the Group's borrowings are as follows:

(i) The Bank loans are held with Standard Chartered Bank (SCB) as an amended revolving credit facility dated July 2011. The facility is repayable in October 2013 following an extension option granted in July 2012.

The facility bears interest at 5.5% above LIBOR, falling to 4.8% based on the ratio of EBITDA to net debt. The effective interest rate is 11.0%.

The loans are secured on the Group's assets and the Group is subject to financial and non-financial covenants. Interest is payable bi-annually.

The facility has been restructured after the balance sheet date (note 34).

(ii) The 1,100 senior, unsecured convertible loan notes were issued by the Company's wholly-owned subsidiary London Mining (Jersey) Plc on 15 February 2011 at an issue price of USD 100,000 per note. The notes have a coupon of 8% per annum and are convertible into ordinary shares of the Company at any time between April 2011 and January 2016 at a conversion price of USD 7.71, representing a 38% premium to the share price of the ordinary shares at the date the convertible loan notes were issued (GBP 3.51) fixed at an exchange rate of 1.5922. The maturity date of the bonds is 15 February 2016.

The Company has a call option to redeem the shares at par plus accrued interest from 15 February 2014 if the share price exceeds GBP 6.29 for more than 20 out of 30 consecutive trading days or at any time if 15% or fewer of the bonds remain outstanding. Interest of 8% per annum will be paid semi-annually up until that settlement date.

The net value received from the issue of the convertible loan notes have been split between the financial liability element and an equity component, the latter representing the fair value of the embedded option to convert the financial liability into equity of the Company. The fair value of the liability component included in non-current borrowings at inception was calculated by discounting the future cash flows using a market interest rate for an equivalent instrument without a conversion option. The discount rate applied was 13.0%.

The equity component of USD 17.6 million has been credited to a convertible debt reserve.

The interest charged for the period is calculated by applying an effective interest rate of 13.4%.

(iii) On 28 March 2012 London Mining signed a USD 55 million prepayment agreement with the Vitol Group regarding the offtake of 2 million wet metric tonnes of iron ore per annum over six years. The prepayment carries interest at a weighted average rate of 8.3% above LIBOR. The borrowing costs have been capitalised within property, plant and equipment as the prepayment has been used to increase production capacity in Sierra Leone. The prepayment is to be amortised, commencing in March 2013 although can be extended to June 2013 subject to conditions, against production offtake.

25. Restoration and decommissioning provision

	2012 USD'000	2011 USD'000
Restoration and decommissioning provision	**3,882**	1,405

The restoration and decommissioning provision is based on management's best estimate of the cost of remediation of the current disturbance of the Marampa lease in Sierra Leone and is expected to be incurred at the end of the mine's life. An equal amount is included within mineral properties of property, plant and equipment (see note 16).

Notes to the consolidated financial statements
continued

26. Share capital

	No. of shares	2012 USD'000	No. of shares	2011 USD'000
Authorised:				
Ordinary shares of GBP 0.002 each	**200,000,000**	**730**	200,000,000	730
Deferred Shares of GBP 0.000001 each	**120,000,000**	**–**	120,000,000	–
C shares of GBP 2.00 each	**33,794,785**	**123,283**	33,794,785	123,283
		124,013		124,013
Ordinary shares				
Issued and fully paid:				
At 1 January	**114,101,960**	**412**	113,760,461	411
Issued during the year	**24,323,448**	**76**	341,499	1
	138,425,408	**488**	114,101,960	412

During the year ended 31 December 2012:

- 22,685,000 (2011: nil) shares were issued following an equity raise in January 2012;
- 557,000 (2011: 163,333) shares were issued following the exercise of options by employees and Directors;
- 1,000,000 (2011: 178,166) shares were issued to Fraser Turner Limited in connection with the Company's obligation under a facilitation agreement dated 28 February 2007; and
- 81,448 (2011: nil) shares were issued following the cancellation of share options to Non-Executive Directors (see page 72 of the Directors' remuneration report).

Employee benefit trust

The Company established the EBT as a discretionary trust, for the benefit of employees of the London Mining Group. The independent trustee of the Trust, Fenlight Trustees Limited (the Trustee) has agreed to purchase shares in the Company from the market and to use those shares to satisfy certain options or awards made under the terms of the Group's LTIP and share options plans. During 2012 85,000 shares (2011: 400,000 shares) were distributed on the exercise of LTIP awards, no shares (2011: no shares) were transferred into a second discretionary trust, no shares (2011: no shares) were acquired in the year and no shares (2011: no shares) were sold during the year. The Group's employee benefit trust had 1,182,000 shares at 31 December 2012 (2011: 1,267,000). On 10 June 2010 100,000 shares were transferred to a second trust to hold jointly owned shares with a key management employee. At the year end this trust "Spartacus Trustees" held 100,000 jointly owned shares (2011: 100,000). These jointly held shares cannot be purchased from the trust by the employee until the third anniversary of the date of joint ownership.

Rights attached to the ordinary shares

Each ordinary share carries rights to one vote at general meetings of the Company.

Rights attached to the Deferred Shares

(a) *Income*

The Deferred Shares shall confer no right to participate in the profits of the Company.

(b) *Capital*

On a return of capital on a winding-up (excluding any intra-group re-organisation on a solvent basis) there shall be paid to the holders of the Deferred Shares the nominal capital paid up or credited as paid up on such Deferred Shares after paying to the holders of the Ordinary Shares the nominal capital paid up or credited as paid up on the ordinary shares held by them respectively, together with the sum of GBP 1,000,000 on each ordinary share. The holders of the Deferred Shares shall not be entitled to any further right of participation in the assets of the Company.

(c) *Attendance and voting at general meetings*

The holders of the Deferred Shares shall not be entitled to receive notice of any general meeting of the Company or to attend, speak or vote at any such meeting.

(d) *Form*

The Deferred Shares shall not be listed on any stock exchange nor shall any share certificates be issued in respect of such shares. The Deferred Shares shall not be transferable except in accordance with (f) below or with the written consent of the Directors.

26. Share capital continued

(e) *Class rights*

The Company may from time to time create, allot and issue further shares, whether ranking pari passu with or in priority to the Deferred Shares, and on such creation, allotment or issue any such further shares (whether or not ranking in any respect in priority to the Deferred Shares) shall be treated as being in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose or require the consent of the holders of the Deferred Shares. The reduction by the Company of the capital paid up on the Deferred Shares and the cancellation of such shares shall be in accordance with the rights attaching to the Deferred Shares and shall not involve a variation of such rights for any purpose and the Company shall be authorised at any time to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Acts) without obtaining the consent of the holders of the Deferred Shares.

(f) *Transfer and purchase*

The Company may at any time (and from time to time), (subject to the provisions of the Companies Acts) without obtaining the sanction of the holder or holders of the Deferred Shares:

(i) Appoint any person to execute on behalf of any holder of Deferred Shares a transfer of all of the Deferred Shares or any part thereof (and/or an agreement to transfer the same) to the Company or to such person as the Directors may determine (whether or not an officer of (or agent for) the Company), in any case for not more than one penny for all the Deferred Shares then being purchased from him, which payment can be made, if the Directors so determine, to charity; and

(ii) if the Company so elects, cancel all or any of the Deferred Shares so purchased by the Company in accordance with the Companies Acts.

27. Notes to the cash flow statement

	Note	2012 USD'000	2011 Restated USD'000
(a) Reconciliation of the loss for the year to cash outflows from operating activities			
Loss for the year from continuing operations		**(28,331)**	(61,315)
Adjusted for:			
Fair value gains	23	**(7,489)**	–
Impairments		**–**	3,311
Depreciation and amortisation		**13,003**	1,236
Loss on sale of property, plant and equipment		**–**	6
Finance income	10	**(969)**	(2,908)
Finance costs	11	**39,317**	2,749
Share-based payments expense	28	**5,854**	1,614
Tax (credit)/expense	12	**(29,688)**	20,563
		(8,303)	(34,744)
Increase in receivables		**(23,672)**	(2,788)
Increase in inventories		**(23,195)**	(2,926)
Increase in payables		**37,941**	13,103
Cash outflow from operating activities		**(17,229)**	(27,355)

Notes to the consolidated financial statements
continued

28. Share-based payments

Share options and warrants to subscribe for ordinary shares in the Company are granted to certain employees, Directors and consultants providing services to the Group. Options are exercisable at a price equal to the closing quoted price of the Company's shares on the date of grant. The vesting period varies from immediate settlement to three years and there may or may not be other vesting/performance conditions. Options are forfeited if the employee leaves the Group before the options vest.

Each employee share option, LTIP or deferred award converts into one ordinary share on exercise. No amounts are paid or payable by the recipient on receipt of an LTIP or deferred award. An amount equal to the share price at the date of grant is payable by the recipient on the exercise of each option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at a previous annual general meeting and is subject to approval by the remuneration committee.

All share-based payments are equity-settled. The charge to the income statement comprises the following:

	2012 USD'000	2011 USD'000
Staff	**3,689**	1,253
Consultants	**2,165**	361
Share-based payment expense	**5,854**	1,614

	2012 Number	2012 Weighted average exercise price GBP	2011 Number	2011 Weighted average exercise price GBP
Share options				
At 1 January	**10,696,384**	**2.07**	8,938,411	170.95
Granted	**1,895,000**	**2.40**	1,955,000	299.50
Cancelled	**(200,000)**	**2.04**	–	–
Forfeited	**(555,000)**	**2.05**	(33,694)	249.14
Exercised[1]	**(557,000)**	**1.72**	(163,333)	141.53
At 31 December	**11,279,384**	**2.20**	10,696,384	206.79
Warrants	**850,000**	**3.09**	850,000	3.09
Jointly held shares	**100,000**	**2.37**	100,000	2.37
LTIPs				
At 1 January	**564,592**	**–**	964,592	–
Granted	**2,333,257**	**–**	–	–
Exercised[2]	**(85,000)**	**–**	(400,000)	–
At 31 December	**2,812,849**	**–**	564,592	–
Deferred Shares				
At 1 January	**–**	**–**	–	–
Granted	**1,097,949**	**–**	–	–
At 31 December	**1,097,949**	**–**	–	–

[1] The weighted average share price at the date of exercise of share options was GBP 2.64.
[2] The weighted average share price at the date of exercise of LTIPs was GBP 1.34.

Share options granted in the period vest in three years subject to continued employment and have a life of ten years.

Details of the LTIPs and deferred awards granted and options granted in the year are given on pages 70 and 71 of the Directors' remuneration report.

On 18 September 2012 200,000 options granted in 2010 to Non-Executive Directors were cancelled (see page 72 of the Directors' remuneration report) in exchange for a cash amount which was then used to acquire shares in the Company. The incremental fair value granted was USD 241,000 being the net proceeds of the cash settlement used to buy 81,448 new shares in London Mining issued at GBP 1.825 per share.

28. Share-based payments continued

Share schemes outstanding at 31 December 2012 are as follows:

	Outstanding	Exercisable	Range of exercise prices GBP	Weighted average remaining contractual life
Share options granted:				
July 2007	1,883,000	1,883,000	1.74	0.53 years
May 2008	1,500,000	1,500,000	3.09 – 3.44	0.36 years
October 2008	500,000	500,000	2.37	5.79 years
July 2009	2,346,667	2,346,667	1.31	6.50 years
August 2009	150,000	150,000	1.61	6.50 years
May 2010	644,717	480,000	2.01	7.40 years
June 2010	500,000	375,000	1.97	7.44 years
August 2011	1,935,000	301,500	3.00	8.65 years
January 2012	20,000	–	2.89	9.08 years
April 2012	1,000,000	–	2.93	9.32 years
August 2012	800,000	–	1.67	9.65 years
Share options	11,279,384	7,536,167	1.31 – 3.44	5.59 years
Warrants	850,000	850,000	3.09	7.98 years
Jointly held shares	100,000	–	2.37	7.44 years
LTIPs	2,812,849	479,592	–	8.91 years
Deferred Shares	1,097,949	–	–	9.49 years

With the exception of 1,773,257 LTIP options granted with TSR-based performance conditions, which have been valued using Monte Carlo (see page 70 of the Directors' remuneration report), all share options have been measured using the Black Scholes pricing model.
The weighted average inputs of options granted in 2012 are as follows:

	2012	2011
Fair value of option (GBP)	**0.68**	0.60
Exercise price (GBP)	**2.38**	3.00
Expected volatility	**43%**	36%
Expected life	**3 years**	2 years
Risk free rate	**0.46%**	0.52% – 1.05%
Expected dividend yields	**0%**	0%

The weighted average inputs of the LTIPs and Deferred Shares granted in 2012 are as follows:

	2012	2011
Fair value of option (GBP)	**2.03**	–
Exercise price (GBP)	**–**	–
Expected volatility	**39%**	–
Expected life	**2.1 years**	–
Risk free rates	**0.33%**	–
Expected dividend yields	**0%**	–

Volatility was calculated with reference to the Group's historical share price volatility up to the grant date to reflect a term approximate to the expected life of the option.

Notes to the consolidated financial statements
continued

28. Share-based payments continued

In June 2012 London Mining and Fraser Turner terminated a 2007 Facilitation Agreement, and entered into new Agreements for services to be provided by Fraser Turner to London Mining, and royalties payable to Fraser Turner in place of those previously payable under the terminated Facilitation Agreement. Consideration for these changes and the new services Fraser Turner would provide was:

- USD 2.35 million cash payment up front
- GBP 2.38 million payment settled in June 2012 at London Mining's option in 1,000,000 London Mining shares; and
- A guarantee to 'top-up' to GBP 7 million, payable in cash or shares at London Mining's discretion, should London Mining's five-day volume weighted average share price not exceed GBP 7 in the period to June 2015.

The GBP 7 million is the fair value of services received and to be received. Services to be received are valued at the amount London Mining's initial share consideration would be reimbursed and liability to top-up would be reduced by should Fraser Turner materially breach the Services Agreement, being 50% or GBP 3.5 million. This amount is recognised as an expense over the term of the Services Agreement.

The remainder of the share-based payment arrangement valuation has been recorded within property, plant and equipment (note 16).

29. Operating leases

At 31 December 2012, the Group had the following minimum cumulative commitments under non-cancellable operating leases:

	2012 USD'000	2011 USD'000
Expiry date		
Within one year	**11,707**	8,441
One to five years	**1,003**	1,839
After five years	**1,752**	1,810
	14,462	12,090

30. Contingent liabilities

The Group is subject to various claims which arise in the ordinary course of business.

As part of the disposal of the Brazilian operations in 2008, London Mining granted certain warranties and indemnities to the purchaser, ArcelorMittal. Having taken appropriate legal advice, the Group believes the likelihood of a material liability arising is remote.

As part of the 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 2.0 million which shall be drawn on if London Mining fails to make substantial progress towards the development and operation of Phase 2a of the Marampa iron ore mine. The Directors' current expectation is that the Performance Bond will not be called upon.

As part of a port agreement between London Mining Colombia and MichellMar S.A., a letter of credit is in place for USD 1.0 million which shall be drawn on if London Mining fails to pay penalties due to non-delivery of pre-agreed tonnages into the port. The Directors expect to make any payments that fall due under the contract and therefore do not expect the letter of credit to be called upon.

Litigation with Wits Basin has been settled after the balance sheet date (see note 34).

31. Financial instruments, risk management and exposure

Classification of financial instruments

	2012 USD'000	2011 USD'000
Current financial assets		
Cash and cash equivalents	**92,652**	67,832
Derivative instruments in designated hedge accounting relationships	**–**	8,718
Loans and receivables	**16,127**	795
Assets held for sale	**142**	–
	108,921	77,345

Included within cash and cash equivalents is USD 7.8 million of cash held as collateral for letters of credit.

The carrying amount of financial assets is deemed to be approximate to fair value.

31. Financial instruments, risk management and exposure continued

	2012 USD'000	2010 USD'000
Financial liabilities		
At fair value through profit and loss:		
Deferred consideration payable	**–**	2,893
Derivative instruments in designated hedge accounting relationships[1]	**3,560**	–
Royalty payments – Sierra Leone[2]	**111,366**	–
At amortised cost:		
Borrowings[3]	**189,001**	182,555
Trade and other payables[3]	**46,488**	53,036
Royalty payments – Greenland	**29,495**	28,836
Obligations under finance leases	**18,510**	–
Liabilities directly associated with assets held for sale	**2,640**	–
	401,060	267,320

[1] The derivative financial instruments are valued using unadjusted quoted prices in active markets for identical financial instruments (Level 1).
[2] The future value of royalty payments to BlackRock (see note 23) has been determined using a valuation technique where at least one input (which could have a significant effect on the instrument's valuation) is not based on observable market data, and is therefore a Level 3 financial instrument. Where inputs can be observed from market data without undue cost and effort, the observed input has been used. Otherwise, management determines a reasonable estimate for the input.
[3] Excludes liabilities that will be settled under offtake agreements.

The fair value of the convertible bond included within borrowings at amortised cost of USD 97.6 million is USD 94.9 million. All other financial liabilities held at amortised cost are considered to be approximate to their fair value.

Offsetting financial assets and financial liabilities

Amounts due from and to Glencore under the offtake and prepayment agreements are presented gross in the balance sheet and not offset. No financial assets and liabilities have been offset.

Credit risk

The Group is principally exposed to credit risk from cash and cash equivalents and deposits held with financial institutions, loans and other receivables. It is Group policy to manage credit risk by:

- holding and investing cash in multiple, reputable financial institutions; and
- dealing with creditworthy counterparties.

The Group does not enter into derivatives to manage credit risk.

i) Cash and cash equivalents

The objective in respect of cash and cash equivalents is to maximise returns whilst minimising risks. To maximise credit protection all cash and cash equivalents are held with a variety of major banks and invested in AAA funds to minimise credit risk.

The policy of the Group is to hold funds at parent company level and minimise funds held within operating and service subsidiaries. This reduces credit risk by ensuring funds are held in higher rated funds. A cash call process occurs each month. Each subsidiary submits a monthly cash call with support to be approved and released by the parent company.

The Group has a policy of ensuring any significant advance payments against major contracts are protected by bond or escrow.

ii) Loans and receivables

Loans and receivables represent a potential credit risk due to the possibility of default.

Loans and other receivables primarily relate to advance and mobilisation payments to contractors.

The Group's maximum exposure to credit risk at 31 December 2012 was USD 109 million (2011: USD 77 million). The Group's financial assets do not represent a concentration of material exposure of credit risk.

The Group does not have any financial assets that are past due or impaired.

Notes to the consolidated financial statements
continued

31. Financial instruments, risk management and exposure continued

Liquidity risk

The Group has sufficient cash resources and available financing facilities which provide liquidity to support Group strategy in the medium term.

Certain of the Group's mining projects require significant additional financing which represents a liquidity risk to the Group. To mitigate this risk bankable feasibility studies are conducted in advance of funds being committed or to support the raising of external finance. Forecast and actual cash flows are monitored to estimate the timing and size of any funding gap. This is updated at least quarterly and presented to the Board. The forecast includes an expectation of when payments for capital contracts will be required.

It is the policy of the Group not to enter into capital contracts such that commitments exceed available funds at any time.

The maturities of the Group's non-derivative financial liabilities are shown in the table below.

	Less than 1 month USD'000	1-3 months USD'000	3 months to 1 year USD'000	More than 1 year USD'000	Total USD'000
At 31 December 2012	**38,217**	**19,427**	**101,580**	**241,836**	**401,060**

Market risk

i) Commodity price risk

Cash flows are forecast using forecast prices for iron ore. Sensitivities are performed using a variety of commodity price assumptions to highlight commodity price risk.

The Group enters into commodity price derivatives as part of the agreed terms of the SCB facility (see note 24). It remains Group policy to not hedge commodity prices other than for strategic reasons.

The Group has offtake agreements for iron ore produced from the Marampa project at a sales price directly correlated to the benchmark CFR China price.

ii) Exchange rate risk

The functional currency of all Group subsidiaries is the USD. Although the majority of the Group's transactions are recorded in USD, some operating costs and investments are incurred in Sierra Leone Leones, British Pounds (GBP), Danish Kroner, Australian Dollar, Canadian Dollar, and Euro.

The Group manages foreign exchange risk by holding cash balances in USD and GBP for respective supplier payments. It is anticipated that future commercial transactions for the Group will largely be in USD which is the same as the functional currency of the Company and its subsidiaries.

The Group policy is to negotiate contract terms where possible in USD to reduce exchange rate risk. A portion of the Group's capital cost will be incurred in currencies which are not denominated in USD. This gives rise to an exchange rate risk in that the rate at the time of entering into a contract can be different to when payments are made.

iii) Interest rate risk

Fluctuations in interest rates impact on the value of cash investments and financing activities, giving rise to interest rate risks. The Group has no loans or receivables which have floating interest rates.

As at 31 December 2012 the Group had borrowings (note 24) and therefore exposure to interest rates:

- The SCB facility of USD 90.0 million has a floating interest rate. The facility bears interest at 5.5% above LIBOR, falling to 4.8% based on the ratio of EBITDA to net debt. The effective interest rate is 11.0%.
- The USD 110.0 million convertible loan has a fixed interest rate of 8.00% (more detail on this is provided in note 24).
- The USD 55.0 million Vitol funding bears interest at 8.3% above LIBOR.

iv) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

Capital managed by the Group at December 2012 consists of cash and cash equivalents and equity attributable to equity holders of the parent. The capital structure is reviewed by management through regular internal and quarterly financial reporting and forecasting. As at 31 December 2012 equity attributable to equity holders of the parent is USD 195.5 million (2011: USD 215.8 million), whilst cash and cash equivalents amount to USD 92.7 million, (2011: USD 67.8 million).

31. Financial instruments, risk management and exposure continued

The Group is subject to and has complied with externally imposed capital requirements relating to debt ratios as part of the SCB facility.

Sensitivity analysis

Financial instruments affected by market risk include cash and cash equivalents, loans and receivables, derivative instruments, borrowings and trade and other payables.

A change in exchange rates would have an immaterial impact on these instruments.

If interest rates had been 5% higher or lower on variable rate borrowings not capitalised and all other variables were held constant, loss for the year would increase/decrease by USD 2.4 million.

A USD 5/t difference in the CFR price of iron ore with all other variables held constant would increase/decrease loss for the year by USD 9.4 million.

32. Capital commitments

	2012 USD'000	2011 USD'000
Commitments for the acquisition of intangible assets	**–**	156
Commitments for the acquisition of property, plant and equipment	**7,833**	16,966
	7,833	17,122

The Group's share of the capital commitments of its joint ventures is USD nil (2011: USD nil).

33. Related party transactions

At 31 December 2012 the Directors of the Group and their related parties, and entities in which they had a beneficial interest, controlled 6.5% (2011: 7.3%) 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 acquired the remaining 80% of ICC (now London Mining Colombia). Graeme 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% and will receive 15% of any deferred contingent consideration. At 31 December 2012 however the Group recognises no deferred contingent consideration and has not paid any deferred consideration (see note 13).

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 Mining converted a previously outstanding convertible loan of USD 5.0 million. London Mining also made available 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 prospects in Chile. At 31 December 2011 and 2012 a total of USD 6.5 million of loans had been drawn down by British Mining. Full provision has been made over the recoverability of these loans.

Key management personnel compensation is disclosed in note 9.

Notes to the consolidated financial statements
continued

34. Events after the balance sheet date

In February 2013 a settlement agreement was reached with Wits Basin Precious Minerals, Inc (Wits Basin) in relation to the joint venture company China Global Mining Resources (BVI) Limited (CGMR). The parties agreed to dismiss all claims against each other and end the joint venture relationship, with the Company transferring its interest in CGMR to Wits Basin.

On 18 March 2013 the Group completed a USD 165 million restructuring of its previous USD 90 million corporate debt facility, with Standard Chartered Bank, FirstRand Bank Limited and Ecobank. The increased facility will be used to repay the existing USD 90 million facility and will permit the subsequent consolidation of certain other unsecured loans.

The facility has a tenure of two years and 10 months ending in January 2016, with the first repayment due in April 2014. The facility is secured on the Group's assets and is subject to financial and non-financial covenants.

The facility is subject to certain conditions which must be satisfied prior to drawdown. This includes a requirement to convert the tailings resource to a reserve. The Group has engaged a third party consultant to complete this work which is expected to be completed well ahead of the required date. In addition the facility is subject to certain conditions subsequent which the Directors do not considered onerous.

London Mining has entered into commodity price derivatives which included additional hedges placed under the terms required for the new corporate facility for 1,523,000dmt of 2013 production at an average CFR price of USD 126/dmt and 113,000dmt of 2014 production at an average CFR of USD 111/dmt in order to secure cashflow in a key stage of production growth. As a requirement of our new financing facility, we will be entering in to an ongoing hedging programme to secure cashflows over the next 15 months.

35. Composition of the Group

The following companies have been consolidated in the Group accounts and materially contributed to the assets and/or results of the Group and are classified according to their principal activity.

				Ownership interest	
	Country of incorporation	Principal activity		**2012** %	2011 %
London Mining Company Limited	Sierra Leone	Mining	Subsidiary	**100**	100
London Mining Greenland A/S	Greenland	Mining	Subsidiary	**100**	100
Saudi London Iron Ltd	Saudi Arabia	Mining	Joint venture	**50**	50
London Mining (Colombia) Limited	Cayman Islands	Investment holding company	Subsidiary	**100**	100
London Mining Finance (Jersey) Ltd	Jersey	Treasury	Subsidiary	**100**	100
London Mining (Jersey) Plc	Jersey	Treasury	Subsidiary	**100**	100
London Mining (West Africa) (No.2) Ltd	British Virgin Islands	Treasury	Subsidiary	**100**	–

A full list of Group companies will be included in the annual return registered with Companies House.

Company balance sheet
As at 31 December

	Note	2012 USD'000	2011 USD'000
Non-current assets			
Intangible assets	1	**44,310**	30,967
Property, plant and equipment		**27,285**	15,636
Investment in subsidiaries	2	**310,409**	317,387
Total non-current assets		**382,004**	363,990
Current assets			
Derivative financial asset		**–**	8,718
Current loans and receivables	3	**16,546**	824
Cash and cash equivalents		**78,345**	50,623
Total current assets		**94,891**	60,165
Total assets		**476,895**	424,155
Current liabilities			
Trade and other payables	4	**(37,447)**	(17,716)
Borrowings		**(112,857)**	(88,770)
Deferred consideration payable		**–**	(7,574)
		(150,304)	(114,060)
Non-current liabilities			
Borrowings		**(36,706)**	–
Deferred consideration payable		**–**	(3,023)
Amounts owed to subsidiaries		**(28,812)**	(20,849)
		(65,518)	(23,872)
Total liabilities		**(215,822)**	(137,932)
Total net assets		**261,073**	286,223
Equity			
Share capital		**488**	412
Share premium account		**117,513**	25,021
Merger reserve		**12,000**	12,000
Other reserves		**33,711**	39,768
Retained earnings		**97,361**	209,022
Total equity		**261,073**	286,223

The financial statements of London Mining Plc (Company Number 05424040) were approved by the Board of Directors on 20 March 2013 and are signed on their behalf by:

Graeme Hossie
Chief Executive Officer

Rachel Rhodes
Chief Financial Officer

Company statement of changes in equity

	Share capital USD'000	Share premium account USD'000	Merger reserve USD'000	Retained earnings USD'000	Warrant and option reserve USD'000	Hedging and foreign exchange reserve USD'000	Convertible debt reserve USD'000	Total equity USD'000
Balance at 31 December 2010	411	21,803	12,000	228,396	13,488	497	–	276,595
Total comprehensive loss for the year	–	–	–	(21,732)	–	8,718	–	(13,014)
Recognition of share-based payments	–	377	–	2,358	(491)	–	–	2,244
Issue of share capital (net of expenses) on exercise of options	1	772	–	–	–	–	–	773
Equity component of convertible bond	–	–	–	–	–	–	17,556	17,556
Return of stamp duty	–	2,069	–	–	–	–	–	2,069
Balance at 31 December 2011	412	25,021	12,000	209,022	12,997	9,215	17,556	286,223
Total comprehensive loss for the year	**–**	**–**	**–**	**(112,765)**	**–**	**(12,278)**	**–**	**(125,043)**
Issue of share capital	**76**	**92,492**	**–**	**–**	**–**	**–**	**–**	**92,568**
Recognition of share-based payments	**–**	**–**	**–**	**1,104**	**6,221**	**–**	**–**	**7,325**
Balance at 31 December 2012	**488**	**117,513**	**12,000**	**97,361**	**19,218**	**(3,063)**	**17,556**	**261,073**

Company cash flow statement

	Note	Year ended 31 December 2012 USD'000	2011 USD'000
Cash flows from operating activities			
Cash used by operations	5	**(9,054)**	(13,126)
Interest received		**114**	147
Interest expense		**(8,454)**	(425)
Net cash outflow from operating activities		**(17,394)**	(13,404)
Cash flows from investing activities			
Loans to subsidiaries		**(93,111)**	(93,750)
Payments to acquire intangible assets		**(3,380)**	(3,916)
Purchase of property, plant and equipment		**(19)**	(601)
Net cash outflow from investing activities		**(96,510)**	(98,267)
Cash flows from financing activities			
Proceeds from issue of ordinary shares, share options and warrants		**88,295**	2,446
Proceeds on issue of borrowing		**53,350**	87,312
Net cash inflow from financing activities		**141,645**	89,758
Net increase/(decrease) in cash and cash equivalents		**27,741**	(21,913)
Cash and cash equivalents at beginning of year		**50,623**	71,928
Exchange differences		**(19)**	608
Cash and cash equivalents at end of year		**78,345**	50,623

Notes to the Company financial statements

1. Intangible assets

	Software USD'000	Mineral rights and exploration and evaluation costs USD'000	Total USD'000
Cost			
1 January 2011	99	28,184	28,283
Additions	–	3,949	3,949
Intra-group transfers	–	(1,199)	(1,199)
Cost at 31 December 2011	99	30,934	31,033
Additions	–	13,665	13,665
Cost at 31 December 2012	**99**	**44,599**	**44,698**
Amortisation			
1 January 2011	(33)	–	(33)
Charge for the year	(33)	–	(33)
Amortisation at 31 December 2011	(66)	–	(66)
Charge for the year	(33)	(289)	(322)
Amortisation at 31 December 2012	**(99)**	**(289)**	**(388)**
Net book value 31 December 2011	33	30,934	30,967
Net book value at 31 December 2012	**–**	**44,310**	**44,310**

2. Investments

	Investments in subsidiaries USD'000
1 January 2011	42,966
Equity injected into subsidiary	284,500
Impairment of London Mining Colombia	(10,079)
31 December 2011	317,387
Equity injected into subsidiary	**20,000**
Impairment of London Mining Colombia	**(26,978)**
31 December 2012	**310,409**

3. Current loans and receivables

	2012 USD'000	2011 USD'000
Trade receivables	**6,419**	–
Prepayments	**758**	383
Other receivables	**9,369**	441
Total current loans and receivables	**16,546**	824

4. Trade and other payables

	2012 USD'000	2011 USD'000
Current		
Trade and other payables	**1,465**	1,050
Other taxation and social security	**302**	176
Accruals	**10,718**	8,390
Deferred revenue	**24,962**	8,100
Total current trade and other payables	**37,447**	17,716

5. Notes to the cash flow statement

	2012 USD'000	2011 USD'000
Reconciliation of loss for the year to cash outflows from operating activities		
Loss for the year	**(112,765)**	(21,734)
Adjusted for:		
Fair value gain on deferred consideration	**(10,757)**	(14,745)
Impairments	**95,829**	13,390
Depreciation	**526**	308
Loss on sale of fixed assets	**–**	6
Finance income	**(678)**	(2,895)
Finance costs	**12,219**	3,137
Share-based payments expense	**5,854**	1,614
	(9,772)	(20,919)
Decrease in current receivables	**(16,947)**	(389)
Increase in payables	**17,665**	8,182
Cash outflow from operating activities	**(9,054)**	(13,126)

Glossary

"Al_2O_3"	Alumina
"BFS"	Bankable feasibility study
"BIF"	Banded Iron Formation
"CFR"	Cost and Freight
"dmt"	Dry metric tonnes
"DR"	Direct Reduction
"DRI"	Direct Reduced Iron
"EIA"	Environmental Impact Assessment
"EPCM"	Engineering, Procurement and Construction Management
"Fe"	Iron
"FOB"	Free On Board or Freight On Board
"FOTP"	Floating Offshore Transhipper Platform
"Hematite"	The mineral form of iron oxide (FeO)
"highly weathered material"	The portion of the ore body that is often located on the surface that has been broken down in situ by environmental processes. This may result in the enrichment of iron and removal of gangue minerals. It typically requires less processing than unweathered material
"Indicated mineral resource"	The part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations, such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed
"Inferred mineral resource"	The part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes

"JORC"	Australasian Institute of Mining and Metallurgy Joint Ore Reserves Committee (JORC) code on mineral resources and ore reserves
"Magnetite"	Ferrous-ferric oxide (FeO)
"Mdmt"	Million dry metric tonnes
"Measured mineral resource"	The part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity
"mineral resource"	A concentration or occurrence of natural, solid, inorganic or fossilised organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge
"Mt"	Million metric tonnes
"Mtpa"	A million metric tonnes per annum
"Mwmt"	Million wet metric tonnes
"ore"	A natural aggregate of one or more minerals which, at a specified time and place, may be mined and sold at a profit, or from which some part may be profitably separated
"PFS"	Prefeasibility study
"SIA"	Social Impact Assessment
"SiO_2"	Silica
"t"	Tonnes
"wmt"	Wet metric tonnes

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England and Wales

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Public limited company

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Sir Nicholas Bonsor, Bt DL
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Colin Harris
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