

# LONDON MINING PLC

## Commentary on interim results for the three months to 30 June 2008 (unaudited)

During the second quarter of 2008, the Group has continued to make progress towards its goal of maximizing shareholder value by conducting a strategic review of its Brazilian operations. The resulting sale of Brazilian assets, announced on 20 August 2008 to ArcelorMittal for US dollars 809.9 million, marks the conclusion of the Brazilian strategic review. London Mining intends to return US dollars 427 million of the proceeds to shareholders.

### Corporate

Following a competitive auction process, the Company announced the sale of its Brazilian operations to ArcelorMittal for a total cash consideration of US\$809.9 million. The Board of London Mining initiated the strategic review following the receipt of expressions of interest in the Brazilian assets and in response to the high levels of strategic interest in Brazilian iron ore assets. The objective of the review was to determine how best to maximize shareholder value in respect of these assets, principally through an assessment of the relative merits of a sale of all or part of London Mining's Brazilian operations versus the retention of these operations to full production. The Company appointed UBS Investment Bank to conduct the review in conjunction with its existing financial adviser, Kaupthing Singer & Friedlander.

Having considered the post-transaction capital structure of the London Mining group, the availability of profitable investment opportunities in the near to medium-term and the views of its shareholders, the Board intends to return approximately US dollars 427 million of the proceeds from the sale to shareholders, representing approximately US dollars 3.73 per share on a fully diluted basis. The timing and mechanism of the return of these funds to shareholders will be announced in due course.

The Company expects to apply approximately US dollars 105 million of the net proceeds as follows:

- Redemption of outstanding bonds issued by London Mining on 24 April 2007: (approximately US dollars 76.6 million)
- Estimated transaction costs of approximately US dollars 25 million
- Payment of performance and production bonuses to all of the Management Team of the Brazilian operations: US dollars 3.95 million

The remaining net proceeds will be applied to the development of the Company's existing projects and to the acquisition and development of further iron and coal opportunities, including:

- Working capital for the Wadi Sawawin, Isua and Marampa iron ore projects and general working capital

- Potential funding for the balance of the conditional DMC Energy (Pty) Ltd acquisition (see the Company's announcement of 8 August 2008): Up to US dollars 99 million
- A project loan to the El Artillero iron ore project in Mexico (see the Company's announcement of 25 June 2008): Up to US dollars 7 million
- A possible operating iron ore mine, subject to final due diligence: Approximately US dollars 46 million
- A possible coal acquisition in South America currently under consideration: Up to US dollars 75 million

## **Brazil**

Since acquiring the Brazilian operations in May 2007 for US\$89 million, including deferred consideration of US\$24 million, the Company has applied management expertise and capital investment to rapidly develop significantly expanded production capacity, high quality modern production facilities and an increase in resource base to support long term scalable production of high quality sinter and pellet feed. The \$809.9 million price achieved in the sale of the Brazilian operations attests to the effectiveness of London Mining's mine development capability. London Mining has retained the CEO of the Brazilian operations, Luciano Ramos, to head the London Mining's technical services and Mr Ramos is also heading the Saudi and Greenland projects.

### *Sinter feed plant and first sinter feed sales to Vale*

The sinter feed plant was commissioned in June 2008 and has been successfully ramped up by mid-August to meet expected production capacity and quality specifications. The successful start up of this state-of-the-art processing facility represents a substantial achievement of the LMB management team and sets standards for successful fast-track high quality development. A domestic off-take contract for 1.1m tonnes of sinter feed was agreed with Vale and the first shipment took place during August 2008.

### *Resource update*

As part of the company's review of its resource base, the Company engaged Libaneo & Libaneo Ltda to review the mineral resources of the Central and Eastern Claims and incorporate interim results of LMB's 7,500 metre drilling campaign. The existing geological database and drill cores were reviewed according to the new ore types.

The latest drill holes show that the iron ore formation has continuity at depth and the contact with footwall was not reached. A structural geological study was carried out and a new geological model was defined. GEOEXPLORE, a Coffey Mining company, was hired in conjunction with Libaneo & Libaneo to update the mineral resources using a 3D methodology (Gemcom Surpac software). The new geological model, produced by Libaneo & Libaneo, based on the deeper drill holes, has expanded the geological interpretation to the deeper levels. This review, which includes hard itabirite ore resulted in a 459mt increase in the total iron ore resources and a 153mt increase in the contained Fe from the previous resource estimate in May 2008.

Resource Classification*	Resource (Mt)	Fe%	Contained Fe (Mt)
Measured	154.50	38.61	59.66
Indicated	94.00	42.63	40.07
Inferred	812.01	37.30	302.88
Total	1,058.60	37.96	402.60

\* Brazilian Reporting Standards, including Central, Eastern and Western claims

### *Granulado Sales*

During the three months ended 30 June 2008, the Brazilian operations mined 754,383 tonnes ("t") of material, including 365,226t of waste at a waste : ore stripping ratio of 0.95, with 389,157t of Run of Mine (ROM) material being processed during the quarter and 96,120t of granulado product being produced. Details of granulado production and sales are as follows:

Period	ROM (t)	Granulado (t)	% of ROM	Fines (t)	% of ROM	Tailings (t)	% of ROM
Apr-08	139,417	34,857	25.00	58,555	42.00	46,005	33.00
May-08	114,413	28,606	25.00	48,053	42.00	37,754	33.00
Jun-08	135,327	32,657	24.13	57,824	42.73	44,846	33.14
June Quarter 08	389,157	96,120	24.70	164,432	42.25	128,605	33.05
June Quarter 07	338,647	94,821	28.00	149,005	44.00	94,821	28.00
6 months 2008	792,229	201,135	25.39	333,706	42.12	257,388	32.49
6 months 2007	652,001	184,820	28.35	284,620	43.65	182,561	28.00

Period	Sales of Granulado	Sales of Granulado (USD)	Ave Price of Granulado (USD)	No of Customers
Apr-08	21,504	1,406,260	65.40	11
May-08	24,356	1,466,803	60.22	12
Jun-08	24,305	1,714,387	70.54	15
June Qtr 08	70,165	4,587,450	65.38	
6 months 2008	188,114	9,660,271	51.35	

