London Mining

Annual Report 2013

Producing high quality iron ore for the global steel industry

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Spotlight on Marampa

We focus on delivering high quality iron ore production from our Marampa mine in Sierra Leone to realise value for all our stakeholders.

See page 22

Operating highlights

3.4Mwmt/a
Production
108% increase on 2012

3.7Mwmt/a
Sales
186% increase on 2012

5.4Mwmt/a
Installed capacity
35% increase over the year

532Mt
Probable reserve
From a total resource of over a billion tonnes

Financial highlights

USD 299.4M
Revenue
148% increase on 2012

USD 63.7M
Operating cash flow
USD 94.5million increase on 2012

USD 22.6M
Profit from operations
USD 49.8million increase from 2012

USD 54.1M
EBITDA
USD 68.3million increase on 2012

USD 47.2M
Cash
at 31 December 2013

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

We are a fast-growing producer of high quality iron ore for the global steel industry. In this report we will explain how our business has progressed in 2013, our strategy and how we are performing against our strategic objectives.

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Group overview

We are now in our third year of producing high quality iron ore from our Marampa mine in Sierra Leone. In 2013 we doubled production to 3.4Mwmt and plan to expand capacity to 6.5Mwmt/a in 2015 with a reserve sufficient for over 40 years of operations at Marampa. We also have potential to expand further from a resource base of over 1 billion tonnes in Sierra Leone and from development opportunities in Greenland and Saudi Arabia.

London Mining project development
Focusing on a 6.5Mwmt/a base case at Marampa

Marampa

- **Production delivered**
  We produced **3.4Mwmt** of high quality iron ore sinter feed concentrate at Marampa in 2013 doubling production from the prior year after commissioning a second processing plant in the first half of the year. We almost trebled sales volumes over the same period as commissioning two transhipment vessels enabled us to fully draw down product stockpiles.

- **Installed capacity**
  We installed plant upgrades including ball mills and a gravity processing circuit in Q4, giving Marampa installed capacity of **5.4Mwmt** at the end of 2013.

- **Planned expansion**
  In September 2013 we completed work on the feasibility for the Life of Mine (LOM) operation. The study showed that the current plant could be expanded to **6.5Mwmt/a** and the mine's life extended from five to over 40 years after the tailings ore is depleted.

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 (DR) pellets
Probable reserve:	532Mt at 31% Fe	–	–
Indicated resources:	850Mt at 21% Fe	380Mt at 33% Fe	248Mt at 40% Fe
Inferred resource:	207Mt at 31% Fe	727Mt at 32% Fe	134Mt at 39% Fe
Total attributable resource:	1,057Mt at 31% Fe	1,107Mt at 32% Fe	96Mt at 40% Fe

Other projects

- **Development potential**
  We have undertaken work to better understand different scenarios to make optimal use of the resource at Marampa. The current port, barge and transhipment operation could be expanded to over **10Mwmt/a** and the London Mining resource at Marampa could support an ultimate expansion to around **20Mwmt/a**.

- **Isua**
  Located 150km north-east of Nuuk and 110km from a proposed deep seawater port, Isua will produce a premium quality 70% iron ore pellet feed concentrate with low impurities. Its position in the warmer south-west corner of Greenland allows for year-round shipping. A bankable feasibility study was completed in 2012 for a **16Mwmt/a** 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 **5Mwmt/a** mine, pellet plant and port. Wadi Sawawin is strategically and economically important 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 Africa.

A year in review

In 2013 we doubled production, trebled sales, decreased operating costs and expanded plant capacity to 5.4 Mwmt/a.

3.7 Mwmt

Sold in 2013

186% increase from 2013

21%

Costs reduced

Costs reduced by 21% from **USD 72/wmt** to **USD 57/wmt**

May

Arrival of second transhipment unit in time for wet season

January — Wet season May – October

April

Loading of larger ungeared ocean-going vessel begins. Arrival of first self-propelled barge (SPB) for increased export volumes

June

Arrival of second self-propelled barge

January

4 Mwmt/a

Capacity installed

Construction of second plant completed

3.4 Mwmt

Iron ore concentrate produced in 2013

108% increase from 2013

35%

Capacity increase

Plant expanded from **4 Mwmt/a** to **5.4 Mwmt/a** over the year

November

Record monthly export volumes following arrival of third SPB

Full draw down of concentrate stockpile

December

Debt financing complete for Life of Mine extension

16% more rainfall in 2013 versus 2012

December

December

5.4 Mwmt/a

Capacity installed

Plant upgrades completed

September

6.5 Mwmt/a

Life of Mine study

Completion of Life of Mine study for 6.5 Mwmt/a operation with a mine life of over 40 years

532Mt

of reserves at end of 2013

Strategic report

A review of our performance in 2013 and our strategy to deliver value over the long term.

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Chairman's letter

In 2013 we consolidated our position as a significant new producer of iron ore with strong growth prospects.

Welcome to London Mining's Annual Report for 2013. Inside we describe our business model and explain how it delivers value to shareholders, report our key performance indicators explaining why they have been selected and how they show that London Mining has delivered against its key objectives, and discuss how future developments might affect the position and performance of the Company.

My first year as Chairman at London Mining has seen several important developments as the Company consolidates its position as a significant new producer of iron ore. Our smaller Board continues to evolve to reflect changes in our business. Our key committees are now fully independent with the changes enabling the Board to provide improved oversight on the key areas of governance, risk and strategy. We have made steady progress to reflect our current focus on Marampa and our corporate governance is now largely of a Main Board standard. As previously advised we will continue to review a move to the Main Board at the appropriate time.

Reaffirming our strategy

Reflecting the strong foundations that are now in place, our business achieved an operating profit in 2013 as production in Sierra Leone doubled to 3.4Mwmt and sales almost trebled to 3.7Mwmt, generating EBITDA of USD 54.1 million and an operating profit of USD 22.6 million. We have significantly de-risked all technical aspects of the operation and we continue to be a major contributor to the economy of Sierra Leone through tax, employment and application of our local content policy. The next few years will see us increase production capacity further to 6.5Mwmt/a and complete the works required to extend the Marampa mine life to over 40 years. This approach will ultimately allow us to deliver significant value to shareholders as we complete the capital programme and aim to reduce debt before looking at further opportunities for investment and potential distributions to shareholders. Completion of the exploitation permitting process at Isua in Greenland during the year takes us a step closer to extracting value for shareholders from this investment.

Rising to the challenges

The price we receive for iron ore is the biggest area of uncertainty, and therefore risk, to our business. We expect the market outlook for iron ore to remain pessimistic for the next year with most commentators expecting the market to move into oversupply before rebalancing, with low cost new supply displacing higher cost Chinese production. We are therefore planning for a lower price environment but remain positive for several reasons: (1) we are a growing business and work completed in 2013 shows that our costs will fall over the next few years in all areas of our business; (2) demand and relative pricing for our high grade product is likely to increase as average Fe grades for seaborne iron ore continue to fall; (3) Chinese steel demand is expected to continue to grow, albeit at a slower rate, for the remainder of the decade, with significant absolute additional tonnes being required; and (4) the supply response could well take longer to arrive due to the oligopolistic behaviour of big producers and financing restraints on new projects.

Restructuring the Board to reflect changes in our business

Alan Ferguson joined in March 2013 as a Non-Executive Director and now chairs the Audit Committee. Alan is a chartered accountant, currently on the boards of Weir Group Plc, Croda International Plc and Johnson Matthey Plc, and has held finance or equivalent Executive Director positions with Lonmin Plc, BOC Group Plc and Inchcape Plc. Alan replaced Graham Mascall, who has retired from the London Mining Board after three years to develop other business interests.

In November 2013 we announced the appointment of Benjamin Lee as Chief Financial Officer, replacing Rachel Rhodes who left the Company in the same month. Benjamin has been an integral part of the Executive Leadership Team since joining London Mining in 2009 and has been an Executive Director since 2011. Following his retirement last year after eight years as Chairman, Colin Knight retired from the Board at the AGM.

Luciano Ramos is to retire from the Board in June 2014. Luciano has been an integral member of the London Mining management team and a driving force in building the Company's key technical competencies. His presence on the Board has ensured a smooth transition from exploration to operations at Marampa. On behalf of the Board, I would like to thank the retiring directors for their contribution to the success of London Mining.

Looking ahead

We are well positioned to weather what many believe may be a challenging environment for iron ore producers in 2014 and remain extremely positive about the long term prospects for the business. The Board has a clear strategy and a plan to deliver consistent operating performance and to reduce costs. In doing so, I expect London Mining to realise its full potential for all stakeholders.

Michael Miles OBE
Chairman

Our markets

Despite the prospect of significant new supply and slowing demand from China, iron ore pricing remained strong in 2013 and above market expectations. We sold almost 3.7Mt of high grade sinter feed concentrate over the year with 50 shipments sold into China through our offtake agreements with Glencore and Vitol. As a result, 72 of our total 73 shipments to date have been sold to the Chinese market.

As we enter 2014, iron ore pricing is expected to soften due to additional capacity from the three major producers of iron ore and an expected slowing of demand growth in China. London Mining is prepared for these changes and the quality of our Marampa sinter concentrate means we expect to maintain customer demand and to realise a meaningful pricing premium against benchmark for our production.

Growing demand

The resilience of the iron ore trade in the face of rising supply and slowing growth in its number one market, China, has surprised many market observers. Steel output through most of the year in China, the world's largest steel producer, drove purchases of iron ore to record high levels in 2013.

China now represents around 58% of global iron ore demand and nearly three quarters of the seaborne trade, estimated at just over 1.1 billion tonnes. Government-led schemes encouraging the development of urban areas and large scale infrastructure projects have resulted in continued appetite for China's 2.1Mt per day of steel production.

Our markets
continued

With China's growth forecast in mid-high single digits for 2014, demand remains robust. Whilst a gradual decrease in these rates appears inevitable, we expect strong absolute demand growth year-on-year, ensuring China will remain the most significant consumer of iron ore for the foreseeable future. Looking further forward, the growing Chinese urban population will drive average steel consumption per capita up, as the demand for domestic steel-based products will become a more significant source of support for the Chinese steel industry, rather than infrastructure. As domestic iron ore resources are depleted and grades fall, China is expected to place increasing reliance on lower cost, higher quality supply from the seaborne market.

Western markets have begun to show signs of recovery. In 2013, a 2.4% year-on-year increase in output in European steel ended six years of decline. Automotive sales in both the US and UK markets are returning to near pre-recession levels and sales of vehicles into Asian markets are steadily increasing. This is buoying high grade steel demand in Western Europe which has been forecast to accelerate, with low single digit growth expected in the next five years. European steel makers are heavily reliant on high quality Brazilian iron ore imports and have expressed some interest in diversifying this supply.

European steel makers prefer to focus on known product quality from existing suppliers in order to achieve high value in use requirements to maximise capacity, improve efficiency and meet stringent emissions requirements. This comes at a price, and European mills can end up paying higher rates for their feed stock in exchange for the reliability of high grade supply. A potential longer term opportunity is for us to place a proportion of production into Europe as the market recovers.

Growing supply

In response to China's growing demand, the push to expand global export capacity and the willingness of Chinese investors and banks to provide funding to projects over the past five years has resulted in a surge of new supply. This has come from both the traditional iron ore producing regions such as Australia and Brazil and also to a lesser extent from less developed regions, such as Africa and Canada.

Established iron ore miners have, where possible, expanded their existing projects to capitalise on China's ongoing demand growth. The Big Three iron ore producers (Rio Tinto, Vale and BHP Billiton) are adding new capacity in coming years, with approximately three-quarters coming from Australia and the balance from Brazil. However, this additional production is expected to be higher cost as asset and grade quality declines and upfront capital expenditure is minimised.

The expansion of existing large-scale projects is expected to bring large volumes of relatively low cost tonnes to the market to balance increasing demand but will tighten the seaborne market, allowing the major producers to force out high cost, mostly Chinese, supply. In the medium term this will go some way to readdress the supply surge. However, some pricing discipline is expected to be maintained, with the Big Three leading the way.

India has dramatically cut exports over the past couple of years. Export regulations have since been relaxed and some limited volume of Indian ore is expected to be seen in the international market again in coming years. However, this would be mostly low and medium grade material.

Despite recent changes in the global market dynamic on both sides of the supply/demand model the benchmark iron ore price has remained relatively stable. The most significant price driver in the short term has been the restocking/destocking cycles of larger steel mills, or groups of mills in China.

Attracting a premium price

At London Mining we aim to produce a high grade product of 64 to 65% Fe. In a market where the average quality of traded iron ore is steadily decreasing, from 62% in 2010 to an estimated 59.5% by 2018, the demand for higher grade ore is increasing in order to maximise existing steel making capacity and improve efficiency in order to meet new emissions criteria. As a result, our higher quality products attract a price premium against the market benchmark and we are receiving interest for our product from end-users and traders outside our existing offtakers. We therefore expect to realise improved pricing for spot cargos and our next generation of offtake contracts as we add capacity at Marampa. Our first spot sale tender was undertaken in Q4 and realised a premium to the existing agreements.

Saving on freight costs

Fluctuating freight rates are an area of significant pricing risk for our business. However, in 2013 we achieved significant savings on export freight costs. Following the commissioning of the Pride of Marampa in Q1 and the addition of the second transhipment asset in Q2, we started to realise the lower freight costs associated with using larger ungeared Panamax size vessels. We also reduced demurrage costs as a result of our ability to load vessels faster.

Looking forward, as Freetown harbour increasingly becomes an internationally recognised port, and our reputation as a reliable shipper develops, freight prices should decrease on a relative basis as confidence in our operational ability grows, the perceived risk of the Freetown harbour improves and we commence loading of Cape size vessels. Our ability to load an increased range of vessels will enable us to use different fleets and associated market fluctuations to our advantage.

Our business model

We will create value for all our stakeholders by leveraging our key competencies, focusing on our core Marampa asset and using clear investment criteria.

Strategic competencies

Operational excellence

High performance culture and people

Financial performance

Strategic partnerships and funding

Strong growth pipeline

Chief Executive's review

From increasing production and sales to reducing costs and achieving profitability – 2013 was a year of real progress for us.

London Mining made very significant progress in 2013 – doubling production and almost trebling sales volumes as well as reducing costs in all areas of the business. Importantly, we achieved profitability at an operating level, generating EBITDA of USD 54.1 million in 2013 – a USD 68.3 million increase on 2012. This profitability drives cash flow, which combined with the extension of our debt facilities and financing agreements related to offtake for our high specification product, should allow us to fund our capital programme for the Marampa mine as outlined in our Life of Mine study completed in September. Marampa's natural advantages combined with the low capital intensity and staged investment of our plans has allowed us to retain 100% ownership and full strategic control as we build it incrementally to greater scale with an associated lower unit cost base.

Marampa highlights

2013 was a year of ramp-up and commissioning as well as our second year of operations. During the year we completed commissioning of the second Marampa plant giving us production capacity of 4Mwmt/a. Capacity was increased by a further 35% to 5.4Mwmt/a following the installation of plant upgrades in Q4. We also completed significant feasibility study and optimisation work for a 6.5Mwmt/a Life of Mine operation with over a 40-year life based on a reserve of over 500Mt grading 31% Fe. The resulting Life of Mine plan sets out our near term investment programme to 2016 which will both expand and extend the operation at very attractive returns on capital. In addition, we further reduced our operating cost structure, lowering operating costs per tonne by 21%. We will continue to drive lower operating costs per tonne through incremental volume increases and a focus on continual improvement.

During the latter part of the year, we faced a number of significant challenges with a prolonged wet season affecting our production volumes in October and November which, together with a longer than expected completion of the new plant upgrades installed in Q4 and a negative stockpile reconciliation resulted in lowering of our production forecast in the fourth quarter. Plans to stockpile additional run of mine (ROM) material ahead of the onset of the wet season have been incorporated going forward together with initiatives to improve stockpile monitoring and management. Logistics, including road, trucking, barging and ship loading, were upgraded during the year to handle higher production volumes and performed excellently throughout the period.

Health, Safety and Environment (HSE) performance

Following an investment in health and safety systems and an increased focus on training, we were very encouraged by our strong HSE performance in 2013, with no fatalities and a 75% reduction in our lost time injury frequency rate (LTIFR) to 0.25 incidents per million hours worked. This result compares well with more established businesses in the developed world so we are extremely pleased with this progress given the inexperience of many members our workforce and the challenging operating environment we work in.

Focus on margin and reducing our all-in costs

With the many market observers forecasting a decline in iron ore pricing over the next few years, sustaining strong margins, financial flexibility and a healthy balance sheet is a key focus for us. While we deploy our capital programme to deliver 6.5Mwmt/a over a 40 year mine life, we have engaged in a progressive hedging programme which provides some protection to pricing volatility. The key focus to achieve our aim of long term profitability and cash generation is, however, to reduce our 'all-in cash costs' for the business and maximise margins. All-in cost is made up of operating cost, royalties, corporate overheads, sustaining capital, interest and freight minus the benefit of realised pricing premiums net of marketing.

We are focusing on all elements which drive margin: operating costs have fallen from USD 72/wmt to USD 57/wmt in 2013 and will fall further primarily through economies of scale efficiencies, higher volumes and transitioning to more competitive contracts as part of our expansion to 6.5Mwmt/a and the Life of Mine extension; corporate cash overheads were reduced by 36%, from USD 25.8 million in 2012 to USD 16.4 million in 2013 and we expect a run rate of cUSD 15 million once we attain steady state operations; freight costs fell 21% year on year from USD 39/wmt in 2012 to USD 32/wmt in 2013 as we commissioned our transhipment vessels and began loading of ungeared vessels and we expect further freight reductions once we complete our upgraded logistics to be able to load larger vessels during 2014. Required sustaining capex post the Life of Mine extension completion is modest. This, combined with reducing debt and driving lower interest costs over time, will also enable more cash flow to be available for shareholders. An additional area of opportunity for us is on higher realised pricing as the market evolves and we have further volumes to place in the market.

High quality product and premium prices

One of Marampa's key strengths is its ability to produce a high specification iron ore concentrate, without high capital investment or high operating cost, which yields relatively high pricing due to a premium on the benchmark Platts 62% Fe index. This premium can be in excess of USD 20/t or more versus average grades of around 58% Fe and must be considered in the context of operating cost per tonne and long term margin potential. We see this demand for grade and quality as providing a significant opportunity for further margin improvement going forward. Our two offtake agreements in place with Vitol and Glencore yield a premium related to benchmark pricing based on our target specification. However, as we continue to establish London Mining as a reliable producer and the Marampa concentrate brand as high quality iron ore concentrate, we expect to improve realised pricing and/or reduce agency fees as we move to spot sales and new offtake agreements for our available production. This is evidenced by our spot sales in Q1 2014 achieving a significant premium to existing contracts and a new offtake agreement with Cargill, announced in March, which will deliver materially higher pricing for 1Mwmt/a of new production and with no marketing fees. This indicates the significant long term value the Company will look to achieve in its pricing. The agreement with Cargill also provides USD 20 million of additional liquidity in the form of a prepayment facility.

Building long term value for shareholders: low cost expansion of Marampa to 6.5Mwmt/a and Life of Mine extension to over 40 years

In September 2013, we announced the results of our Life of Mine study for Marampa. In it we showed a path to a low cost incremental expansion to 6.5Mwmt/a with a 40 year mine life for approximately half the capital cost of other new production. Importantly, the feasibility work incorporated much of the learning from five years of exploration, development and operation at Marampa. The staged capital investment profile is to be funded through the reinvestment of operating cash flows, having agreed with our supportive lending banks and bondholders a rescheduling of the amortisation structure of our existing debt arrangements. This should allow us to progress in line with cash flow availability, with no equity dilution for shareholders.

Financial resources have also consistently been made available by leveraging our production quality and reliability through funding from offtakers which continues to offer non-dilutive funding potential with opportunities for improved terms.

As we move forward with our current capital plans to secure the long term future of Marampa and establish it as a 6.5Mwt/a mine producing sustainable cash flows and profits to shareholders, we continue to look at ways to further improve operations, incrementally expand production and reduce costs based on a resource base which could allow for further smaller incremental increases in production up to 20Mwmt/a. We will do so within the guidelines of our stated investment criteria, in the context of completing our current three-year capital programme and our desire to reduce debt as well as commencing dividends/ share buybacks as the level of cash generation allows.

Cash allocation priorities

Short term (next three years)

- Near term capex programme at Marampa (expansion to 6.5Mwmt/a and operating cost optimisation)
- Extension of mine life at Marampa
- Reducing net debt

Long term

- Dividend or share buyback
- Further investment opportunities

Contributing to Sierra Leone

A focus on all stakeholders is a core part of London Mining's philosophy and approach. The Marampa mine has contributed to the growth of the mining sector in Sierra Leone which should generate much needed economic benefits for decades to come. Not only is London Mining a key contributor to Sierra Leone's growing GDP, the positive impact of our operations and investment goes much further than direct taxes and royalties and employment. The economic activity we have created and the successful investment precedent London Mining represents to foreign investors drives renewal and growth in Sierra Leone far beyond our mining activity.

Furthermore, our approach to partnering with organisations which themselves focus on the areas of priority for community development has attracted additional external funding and involvement in key areas of development needed.

We are proud of our contribution to Sierra Leone and for the second year running we were presented with an award by the Sierra Leone National Revenue Authority. We paid USD 33 million in taxes, fees and royalties to the Government of Sierra Leone in 2013 and our contribution will increase as we expand production and complete our capital programme. We have also been successful in launching several important initiatives in 2013 to ensure that the benefits of our activities are realised by all stakeholders, that we are able provide and encourage employment opportunities and careers for local Sierra Leoneans, and that we leave a positive legacy after cessation of mining over 40 years from now. These objectives will be achieved, in part, through our Community Multiyear Plan and partnerships where our aim is to act as a co-facilitator rather than the single patron or benefactor.

Highlights of our Community Multiyear Plan (partners)

From Mines to Minds
(London Mining, St Joseph Technical College and GIZ, the German Development Agency) – Aims to improve adult literacy and provide training in four vocational trades.

University Graduate Internship Programme
(London Mining, Restless Development, UNDP, NAYCOM) – 37 university graduates completed three month internships; 13 retained as trainees; three in full time employment.

Marampa Youth Agricultural Project
(London Mining, Cotton Tree Foundation and Local Communities) – Plans to engage 500 youths in 10 communities in large scale agricultural food production, establish 10 village savings and loan schemes and increase the production levels of commercial agricultural crops to enhance food security and improve income levels for youths.

Scholarships
(Ministry of Education and London Mining) – 961 scholarships awarded to primary and secondary school students in local communities.

Prevention of HIV/AIDS
(London Mining National AIDS Secretariat, the Business Coalition Against HIV/AIDS) – Conducts HIV and AIDS awareness and sensitisation training. Aims to reduce HIV/AIDS prevalence and supports a clinic for the treatment of people living with HIV.

New schools
(London Mining, Street Child and UK Government) – Supports an extension to Department for International Development Universal Primary Education with Street Child to improve access to primary education by renovating and furnishing nine classrooms; constructing 13 new schools and renovating six; and training 46 teachers. Overall, aims to give access to better education for 4,700 students.

Planning for the future

As we continue to incorporate the learnings from our years of working in Sierra Leone and our implementation of first rate mining, processing and export operations at Marampa, we expect to drive further improvements across all areas. In 2014, despite a slow start, we are well positioned to deliver record results from higher expected production volumes of 4.9 to 5.4Mwmt, improved logistics and lowering our operating cost base to at, or less than, USD 50/wmt. Looking forward, we are planning to achieve further cost reduction and optimal pricing potential for all our product as we continue to focus on safety, productivity and serving our customers. In addition, we are focusing on judicious use and planning of cash and existing financial resources to maintain a workable balance sheet, to ultimately reduce net debt and to create a position where we can begin to return excess cash to shareholders. I am proud of what London Mining is achieving and, in particular, the steps we have made in the areas of health and safety and sustainability, which put us way ahead of many other mining companies and positions us well for the long term.

Graeme Hossie
Chief Executive Officer

Our Life of Mine study for Marampa showed a pathway to a low cost expansion to 6.5Mwmt/a and a mine life of over 40 years.

Key performance indicators

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

Strategic competencies	Achievements in 2013	Looking forward
Operational excellence We focus on the day-to-day activities that make our business successful. We demonstrate operational excellence by achieving near-term production plans, realising operational stability with associated gains in mining and plant efficiencies, and delivering effective, reliable logistics solutions within budget and with the prospect of ongoing operating efficiencies and cost savings.	• Doubled production volumes following the commissioning of a second processing plant six weeks ahead of schedule • Almost trebled export volumes • Commissioned transhipment vessels and commenced loading of Panamax vessels • Upgraded the processing plant by 35% to a capacity of 5.4Mwmt/a • Confirmed the reserve of over 500Mt – giving a mine life of over 40 years for a 6.5Mwmt/a operation	• Deliver forecasted production of 4.9 to 5.4Mwmt in 2014 with operating cost at, or less than, USD 50/wmt • Complete processing plant expansion to 6.5Mwmt/a • Begin work on capital programme to extend mine life to over 40 years
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. The safety of our employees is our top priority.	• Increased proportion of Sierra Leone employees from 90% to 93% and reduced reliance on expatriate labour • Improved HSE performance with LTIFR reduced from 0.96 to 0.25 and no fatalities • Implemented Mines to Minds and internship programme to provide opportunities for local Sierra Leoneans • Developed vocational training programmes to roll out in 2014	• Continue to attract industry-leading talent to continuously improve our business • Implement training and management development programmes to increase number of Sierra Leoneans in senior management roles
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 the 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 both access to capital and the cost of capital.	• Unit operating costs reduced by 21% • Cash corporate overhead reduced by 36% • Debt funding secured for expansion to 6.5Mwmt/a and Life of Mine extension	• Reduce operating costs to at, or below, USD 50/wmt and longer term to USD 39/wmt to USD 42/wmt • Reduce total debt • Commence dividend payment/share buyback
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.	• Secured USD 200 million debt facility and extended convertible bond • USD 25 million of offtake related finance secured from Vitol	• Potential to secure further funding through allocation of offtake from new production • Strengthen balance sheet with potential involvement of international finance institutions • Private public partnerships for community initiatives to leverage investment and expertise • Strategic partners to unlock value in larger development projects alongside other options
Strong growth pipeline We have a track record of identifying and developing iron ore investment opportunities. Any future investment needs to be made in the context of the high return potential for low cost incremental production growth at Marampa, must meet our investment criteria framework and allow us to achieve our cash allocation priorities. Longer term, we will look at opportunities which we understand well and where we have competencies and competitive advantage.	• Optimised operating expenditure and capital expenditure for Marampa in life of mine study on 6.5Mwmt/a operation • Completed exploitation permitting process at Isua • Disposed of Colombian coking assets to allow focus on core opportunities	• Review opportunities for low cost incremental expansions • Further work to identify large scale logistics options and ultimate expansion of Marampa

KPIs

Operational excellence

High performance culture and people

Financial performance

Strategic partnerships and funding

Strong growth pipeline

A proven concept

Marampa now has installed production capacity of 5.4Mwmt/a and all the elements of the mine, process plant and logistics chain have been materially derisked following two years of operations.

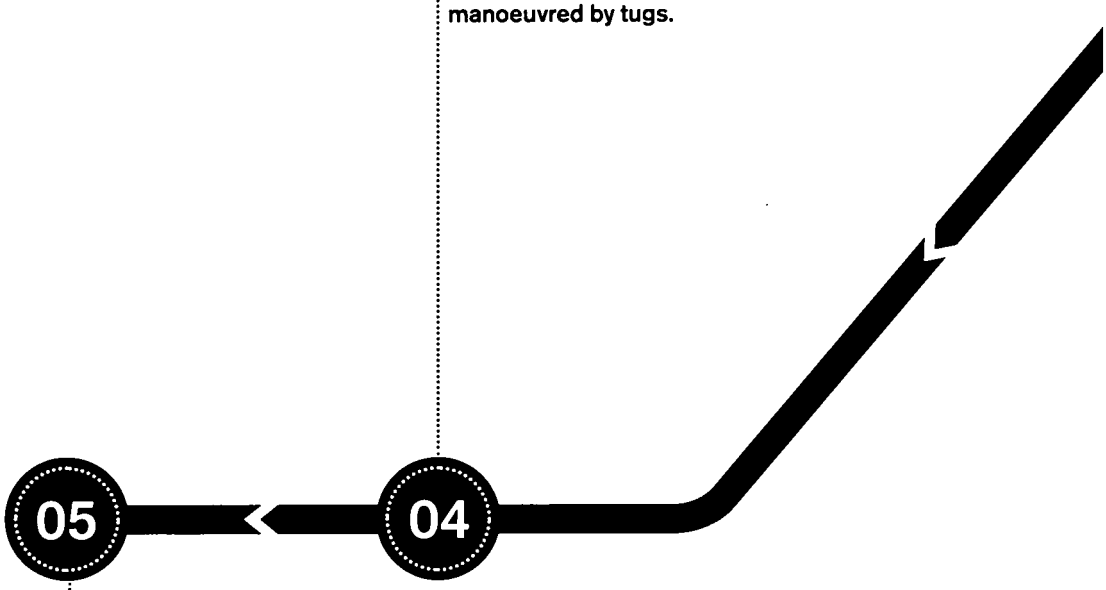
Barging

7Mwmt/a

Capacity

with potential to increase to 10Mwmt/a

Iron ore concentrate is barged 50km to the Freetown harbour in a fleet of barges manoeuvred by tugs.



73

Number of ships

Transhipment operations

The number of ships loaded in the first two years of operations was 73. 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. London Mining employs two transhipment vessels with a combined loading rate of 35kt/day.

01

28km²

Licence area

Mine and plant

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. The plant is being expanded to 6.5Mwmt/a from a current installed capacity of 5.4Mwmt/a.

02

9Mwmt/a

Capacity

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. Capacity can be increased by the addition of trucks.

03

300,000t

Stockpile capacity

Port

The Thofeyim river port and stockyard 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 stockpile which has a capacity of 300,000t. It is then loaded on to barges by conveyor.

Performance review

2013 was a year of records as production was doubled, exports were almost trebled and capacity was expanded by 35% to 5.4Mwmt/a.

Highlights

- LTIFR reduced 75% to 0.25 with no fatalities
- Production doubled to 3.4Mwmt, sales almost trebled to 3.7Mwmt
- Operating costs fell 21% to USD 57/Wmt
- Plant capacity increased by 35% to 5.4Mwmt/a, capex in line with budget
- Life of mine study completed for expansion to 6.5Mwmt/a
- Reserve of 532Mt grading 31% Fe from Marampa resource of over 1 billion
- Marampa mining licence area increased from 14km^2 to 28km^2

Marampa, Sierra Leone (100% ownership)

We started production at our Marampa mine in December 2011 and achieved our target of over 1.6Mwmt of high quality iron ore in 2012. We doubled production and export volumes in the first six months of 2013 and expanded production capacity to 5.4Mwmt/a by the end of 2013. In September 2013 we completed work on a feasibility study for the life of mine operation at Marampa. The study showed Marampa could be further expanded to 6.5Mwmt/a and mine life extended to over 40 years for a capital cost of USD 280 million. Marampa has probable reserves of 532Mt, sufficient for a mine life of over 40 years from a resource of over 1 billion tonnes of iron ore.

Performance in 2013

Mining

Following the appointment of new mining contractors at the end of 2012 on a new, lower cost, activity-based contract, work increased to open mining faces, expose in-pit weathered ore stocks and establish a run of mine (ROM) stockpile of all ore types ready for processing. These and other measures such as implementing a dewatering plan to improve pit access together with efficient mine scheduling, meant that mining operations were largely unaffected by the rainfall in the early part of the wet season. However, unexpected rains in the first six weeks of Q4 excessively depleted ROM stocks and caused unexpected deterioration of mine roads. This consequently limited our ability to feed the plant with the correct blend of tailings and weathered ore. These issues have been addressed and are expected to be non-recurring.

2013 performance

	FY2013	FY2012
Ore mined (wmt)	**12,857,000**	4,436,000
Strip ratio (waste: ore)	**0.25**	0.07
Concentrate produced (wmt)	**3,387,000**	1,631,000
Sales (wmt)	**3,655,000**	1,276,000
Average concentrate grade sold (Fe%)	**63.6**	64.9
Moisture content (%)	**8.1**	6.7
Average FOB price* (including hedges) (USD/dmt)	**94**	104
Average freight (USD/wmt)	**32**	39

*Excluding marketing fees.

The table below shows the Marampa expansion programme with spent/estimated capital cost and installation date.

	Resource	Process	Nominal capacity (Mwmt/a)	Installed date	Capital requirement cost (USDm)
Existing	Tailings/ weathered ore	Magnetic separation (first plant)	1.8	Q4 2011	c340 (Spent)
		Magnetic separation (second plant)	4.0	Q1 2013	
		Addition of spirals and ball milling	5.4	Q4 2013	
Life of Mine extension	Tailings/ weathered ore	Additional processing capacity, WHIMS and spirals	6.5	Progressively installed over 2014/15	40 (LoM study forecast)
	All ore types	Addition of primary crusher, SAG mill and regrind mills	6.5	2016	240 (LoM study forecast)

Processing
We completed the ramp-up of the second plant to a run rate of 4Mwmt/a during the first six months of 2013, an estimated six weeks ahead of schedule. Plant upgrades (the addition of a milling and gravity circuit) increased installed capacity to 5.4Mwmt/a by the end of the year as expected. However, the delayed completion of the plant upgrades combined with difficulties experienced in Q4 due to the prolonged wet season and a negative stockpile adjustment resulted in production falling short of our forecast production 3.6 to 3.9Mwmt. The installation of the ball mills now allows us to process a stockpile of oversize plant feed accumulated during the first two years of operations as well as increasing metallurgical recoveries, with the gravity circuit adding over 1.4Mwmt/a of beneficiation capacity. Completion of the plant upgrades is also expected to improve concentrate grades which deteriorated over the year due to the diminishing availability of extremely soft high grade weathered ore prior to commissioning of the ball mills.

Logistics
Improvements to the haul road made in 2012 enabled consistent ore movements from the Marampa mine to the Thofeyim River Terminal throughout 2013. The contract road haulage fleet was expanded and new, purpose built haulage units arrived in Q3 2013. The Pride of Marampa floating offshore transhipment platform (FOTP) became fully operational, enabling the loading of ungeared vessels in March. A second transhipment unit (FCTU) was deployed in May and began operating within days of arrival. Barging and loading performance over the wet season was improved considerably by the deployment of the two transhipment vessels combined with the addition of two self-propelled barges from a new barging contractor. Annualised export volumes of over 5Mwmt/a were achieved following the mobilisation of a third self-propelled barge in Q4 2013.

The upgrades and an end to the heavy rain resulted in a record export performance in Q4, allowing full draw down of the concentrate stockpile. In all, 50 ships were loaded with 3.7Mwmt of concentrate over the year.

Operating and capital costs
Operating costs for 2013 were USD 57/wmt, down from USD 72/wmt in 2012. The total capital cost for the expansion to 5.4Mwmt/a was in line with expectations at around USD 340 million.

Looking forward and Life of Mine

Mining
Work has commenced to build an expanded five month inventory of ROM stocks ahead of the next wet season in order to provide consistent feed to the plant during 2014. Longer term, after tailings from previous operations are depleted in 2016, mining will focus on the weathered and unweathered components of the reserve using open cut methods with conventional 180t mine dump trucks (an increase from the current smaller truck size of 40t) and medium sized hydraulic shovels which is expected to deliver greater mining efficiency. Mining will be undertaken under contract. Significant advances to Life of Mine planning have been achieved as a result of plans to build a processing plant capable of processing all ore types (weathered and unweathered) rather than a staged upgrading of the plant. This has resulted in a simplified mine and waste rock disposal plan delivering a reduction in Life of Mine waste strip ratio from 1.2:1 to approximately 0.5:1 over the life of mine which delivers significant unit cost reductions over previous plans. Maximum use of backfilling allows disposal of waste rock and tailings on site. In January 2014 London Mining was awarded an extension to the existing Marampa mining licence, increasing its land position to 28km^2, approximately double the previous land lease area. This additional land will be used for tailings disposal later in the mine's operating life.

Processing
As a result of the increase to our production capacity to 5.4Mwmt/a, and despite a slower than expected ramp-up in Q1 2014, resulting in production volumes similar to the equivalent quarter in 2013, we expect production of 4.9 to 5.4Mwmt with concentrate grades of 64 to 65% for 2014. Following this, as outlined in the Life of Mine study, the processing operation will be upgraded in two stages. Firstly, a progressive installation programme in 2014 and 2015 to augment the wet high intensity magnetic separation (WHIMS) and gravity circuits will increase processing capacity to 6.5Mwmt/a. Secondly, the addition of primary crushing and semi-autogenous grinding capacity will allow processing of unweathered ore through the existing plant after the exhaustion of tailings. We expect a mass recovery of 40% and grinding costs are comparatively low compared to other processed iron ore concentrates due to the favourable low work index of Marampa ore. The power plant will be upgraded from 15MW to 50MW as part of this Life of Mine extension programme to provide the additional power needed to process unweathered ore types. It is expected to continue using medium fuel oil as with current operations.

Logistics
Concentrate will continue to be transported using the existing logistics solution of road haulage to the Thofeyim River Terminal, followed by barging to the Freetown harbour and transhipping. The operation will use an improved barging solution incorporating pusher technology to increase capacity and reduce operating costs. We expect the first pusher barges to be in place by the end of Q1 2014. A programme to allow loading of larger vessels is underway and is expected to be effective during 2014.

Operating and capital costs
We expect operating costs at, or below, USD 50/wmt based on expected production of 4.9 to 5.4Mwmt in 2014. The September 2013 Life of Mine study estimated average operating costs to be between USD 39/wmt to USD 42/wmt over the 40 year mine life with a total capital cost of USD 280 million including a contingency of USD 47 million. Sustaining capital is estimated to be USD 10/wmt to USD 12/wmt over the Life of Mine.

Permitting
Environmental permitting for the existing operation covers the expanded operation. An updated Environmental and Social Impact Assessment (ESIA) has been completed as part of our on-going Life of Mine feasibility work.

Health and safety
Health and safety performance showed a marked improvement over the year. Particular effort has been made to establish processes to manage typical West African health risks and to embed improved safety systems and training. These initiatives contributed to a reduction in the lost time injury frequency rate (LTIFR) by over 74% compared to 2012 (0.96). Of primary importance, there were no fatalities in 2013.

	Q4 2013	Q3 2013	Q2 2013	Q1 2013
LTI	**0**	**2**	**0**	**0**
All Injuries	**30**	**15**	**12**	**7**
Fatalities	**0**	**0**	**0**	**0**
LTIFR (per million hours worked, 12-month rolling average)	**0.25**	**0.42**	**0.46**	**0.94**

Reserves and resources
Sound Mining have completed an updated resource and ore reserve statement for Marampa as at 31 December 2013. The statement is reported in accordance with the JORC code and it supports the economic viability of mining at least 532Mt of the total Indicated mineral resource of 850Mt.

Mineral resource statement as at 31 December 2013	Quantity (Mt)	Fe (%)	Al_2O_3 (%)	SiO_2 (%)	MnO (%)	P (%)
Tailings						
Indicated	26.0	21.9	9.6	51.5	1.1	0.1
Weathered ore						
Indicated	46.0	35.3	6.6	37.8	0.3	0.1
Inferred	21.0	33.7	7.3	39.5	0.3	0.1
Unweathered ore						
Indicated	778.0	31.5	4.8	39.1	0.8	0.1
Inferred	186.0	30.3	5.3	41.0	0.6	0.1
Total indicated mineral resource	**850.0**	**31.4**	**5.1**	**39.4**	**0.7**	**0.1**
Total mineral resource	**1,057.0**	**31.2**	**5.2**	**39.7**	**0.7**	**0.1**

Ore depleted from inventory	Quantity (Mt)	Fe (%)
Tailings mined	8.0	–
Weathered ore mined	4.9	–

31 December 2012 to 31 December 2013

Ore reserve statement as at 31 December 2013	Quantity (Mt)	Fe (%)	Al_2O_3 (%)	SiO_2 (%)	MnO (%)	P (%)
Tailings						
Probable	20.7	21.2	9.1	51.5	1.0	0.1
Weathered ore						
Probable	37.8	32.6	6.5	37.8	0.3	0.1
Fresh ore						
Probable	473.1	31.3	4.8	29.7	0.6	0.1
Total ore reserve	**531.6**	**31**	**5.2**	**31.3**	**0.6**	**0.1**

- The Mineral Resource statement includes Ore Reserves.
- In addition to the above Ore Reserves, a further 17Mt of weathered material at a grade of 32.6% and 56Mt of unweathered ore at a grade of 30.0% has been depleted from the Inferred Mineral Resource category as part of the mining plan from the open pit operation. Production from the Weathered Inferred Mineral Resource constitutes 3% of the total metal production while that from the Unweathered Inferred Mineral Resource makes up 8% of the total metal produced by the mining plan and production forecast.
- *All of the Weathered Mineral Resource is mined together with dilution.*

Other projects

Isua, Greenland (100% ownership)

Isua is located 150km north-east of Nuuk and 110km from a proposed deep seawater port. The project will produce a premium quality 70% Fe pellet feed concentrate with low impurities. In addition, Isua's position in the warmer south-west corner of Greenland allows for year-round shipping. A bankable feasibility study (BFS) was completed in 2012 and identified a 16Mwmt/a operation based on a resource of over 1.1 billion tonnes.

In October, we were granted an Exploitation Licence for the Isua project. Within the Exploitation Licence, London Mining has agreed to incorporate a royalty structure with the Government of Greenland based on sales and structured with escalating rates. The new fiscal agreement will have no material adverse impact on the net present value of the project.

We are now working to attract strategic and potential financing partners to the project as well as completing an Impact Benefit Agreement (IBA) and the final construction permitting. We are flexible in our thinking and considering all options.

Wadi Sawawin, Saudi Arabia (right to 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.

We continue to see potential from the project, based on strong fundamentals and government interest, but progress within the current structure is slower than we would like. We are working with the necessary parties to advance to the next stage where funding and construction can be addressed.

Colombia (100% owned)

Following a review of the business, the Colombian operation was placed into care and maintenance in January 2013 and was held for sale as at 31 December 2013. London Mining Colombia was sold on 20 February 2014 for a consideration of up to USD 5 million. The consideration is structured as USD 1.5 million cash payment, largely offsetting liabilities paid before completion with the balance to be received as 6.5% of any audited revenue each year, with no obligation to pay the balance if no revenue is recorded.

Sustainability

Our Board and Sustainability Committee is committed to continue the drive to improve London Mining's health and safety, economic, environmental and social performance and reporting.

Ongoing commitments

Through all the 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 that complies with International Finance Corporation (IFC) standards
- Implement an environmental and social management plan with regular monitoring
- Endeavour first to employ from communities where we operate
- Optimise our use of energy, water and other natural resources – regularly monitoring to verify compliance and track improvements
- Increase waste management resources to cope with increased consumption levels
- Remediate, rehabilitate and restore land, using indigenous plants
- Advertise and manage grievance mechanisms
- Ensure appropriate 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 and support several initiatives that demonstrate our commitment to becoming a fully sustainable and responsible company:

- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights
- Bribery Act 2010
- Global Reporting Initiative (GRI)
- United Nations Global Compact (UNGC)

Governance of sustainability

- Board Sustainability Committee (SUSCO)
- Corporate Sustainability Advisory Committee (CSAC)
- Country specific sustainability advisory committees
- Steering Committees

The Board Sustainability Committee (SUSCO) reviews sustainability data and reporting and presents to the Board on its assessment of:

- The effectiveness of the Group's policies and systems for identifying, managing and ensuring compliance in the areas of health, safety, social, security and environmental risks and regulations
- The performance of the Group regarding the impact of decisions on the above mentioned areas

The CSAC comprises of six members (four external) who collectively advise London Mining management on its overall strategy and performance in the area of sustainability to ensure the relevance, effectiveness, efficiency, impact and long term sustainability of its operations.

By implementing a successful sustainability strategy we are able 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 employees' health and safety

We take a three-pronged approach to sustainability, with a focus on ensuring Equitable, Endurable and Eco-efficient mine sites through the stages of development, operation and closure.

Our Equitable approach balances economic and social responsibilities, so that both London Mining and communities benefit from the mine. Training and skills improvement for local Sierra Leoneans, including providing internships and university scholarships, not only creates a skilled workforce for us to draw upon, which in turn maximises local employment, it also facilitates the recovery of the wider skills base in Sierra Leone that suffered significantly during the civil war.

Our Endurable approach balances social and environmental responsibilities so that local communities benefit and environmental improvements are realised. When we assumed control of the Marampa operational site in 2006 it was in a state of disrepair after 40 years of mining activity by another entity, followed by 30 years of virtual inactivity, which resulted in poor farming productivity and degraded ecosystems. In our Mine Closure Plan, we will mitigate the effects of the legacy mining practices and create a site that is productive, stable and compatible with the surrounding landscape. We are happy to apply the necessary resources and know-how to undertake this work, which will deliver a sustainable future for Lunsar and its people.

Our Eco-efficient approach creates an effective balance in the way ecological resources are used to meet human needs so that a particular course of action or strategy is both financially and environmentally advantageous. Mining operations are significant users of water, making the efficient use of this natural resource essential. This is why we have return water systems to maximise water recycling and monitoring programmes to ensure that stream flow and water quality is sufficient to maintain ecosystem functions.

The Steering Committees support the management of the relationship between the mine and its stakeholders.

Case study – Supporting the From Mines to Minds project in Marampa, Sierra Leone

We recognise the role of education in improving the lives of people in local communities and further afield. We also work to address the shortage of technical and managerial local staff to fill such positions in the Marampa mine's workforce. In partnership with Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ), a German co-operation agency, we have undertaken a project called From Mines to Minds. We have committed EUR 200,000 to this project.

The project's objectives are to:

- Provide technical, vocational and educational training at one of the best technical schools in the country (St. Joseph's) in the local town of Lunsar
- Achieve Functional Adult Literacy (FAL) for those in the 17 communities around the Marampa mine site that cannot benefit from St. Joseph's

The further improvement of St. Joseph's aims not only to train local youth from the mining district of Port Loko (including those trained under the FAL programme) but also to implement modernised curricula for four technical trades that do not exist in the country. The ambition is for St. Joseph's to become a national reference school for Sierra Leone.

FAL plays a key role in empowering the personalities and developing the capacities of youths and young adults by building on their verbal and understanding skills of the lingua franca, Krio, to introduce them to formal reading and writing training. This exposure and knowledge will then serve as a basis for learning other languages. The expectation is that 400 graduates of the adult literacy programme, 30% of them female, will enter into the formal education system.

Materiality assessment

We conducted a materiality assessment to identify the sustainability topics that are most important to our stakeholders and to us in order to ensure our reporting is relevant. By 'stakeholders' we mean internal and external groups affected by our operations with which we engage on a regular basis to assess, review and improve our sustainability performance.

The following list of 21 sustainability topics was developed as part of the assessment. The assessment included an internal study benchmarking sustainability reports by peer companies, the GRI Mining and Metal Sector Supplement, and the results of individual stakeholder analysis conducted as part of a stakeholder mapping exercise carried out in Sierra Leone, Colombia and Greenland.

A survey was sent to 67 stakeholders representing our main stakeholder groups, including 29 internal and 38 external stakeholders. They were asked to rate each issue on a scale from 1 (unimportant) to 5 (critical). Key stakeholders were identified based on extensive stakeholder mapping at locations where we operate, including head office. Internal stakeholders included our Executive Leadership Team, members of the Board of Directors as well as employees working at head office and our three locations. All internal stakeholders answered the survey as well as 20 external stakeholders listed in the following table.

Issues with the highest materiality for the two groups are presented in the upper right corner. They are also highlighted in the sustainability topics table. Although we are not surprised by the results, by understanding what is material to our organisation and our stakeholders we can prioritise our strategy and our reporting accordingly.

Academic institutions (location)
- St Joseph's Vocational Training School (Sierra Leone)
- Institute of Public Administration & Management (Sierra Leone)
- Greenland School of Minerals and Petroleum (Greenland)
- University of Greenland (Greenland)

Local community
- Landowners Association (Sierra Leone)

Investors
- F&C Asset Management Plc (UK)
- BlackRock (UK)

Local government and regulators
- Lunsar's Member of Parliament (Sierra Leone)
- Maforki's Member of Parliament (Sierra Leone)
- Paramount Chief Koblo Queen II (Sierra Leone)
- Municipality of Socha (Colombia)

National government and regulators
- Environment Protection Agency (Sierra Leone)
- National Mineral Agency (Sierra Leone)
- Agencia nacional de minerals (Colombia)

NGO
- Cotton Tree Foundation (Sierra Leone)
- Budget Advocacy Network (Sierra Leone)
- Network Movement on Justice and Development (Sierra Leone)

Other business partners
- German Development Agency (Sierra Leone)
- United Nations Development Programme (Sierra Leone)
- SOCODEVI (Colombia)

Economic issues
1. Disclosure of payments to governments
2. Policies and practices with locally-based suppliers
3. Economic impacts through investments, activities and programmes with local communities
4. Potential risks related to corruption at significant locations of operation

Environmental issues
5. Energy management
6. Water management
7. Waste management
8. Approaches adopted to minimise the environmental footprint of operations on biodiversity and land used
9. Greenhouse gas emissions related to operations
10. Mining waste management
11. Environmental incidents management approaches
12. Remediation plans for operational mine sites

Social issues
13. Employee relations and labour conditions
14. Strategies to improve local recruitment and employment
15. Occupational health and safety management for employees
16. Public safety and security practises for local communities
17. Child labour
18. Stakeholder engagement and participation mechanisms
19. Land use management approaches
20. Human rights and local indigenous peoples' rights

Other issues
21. Compliance with environmental, labour-related local or international laws and regulations

Results of the materiality assessment

Achieving sustainable business performance

Health and safety

This year the Board reviewed corporate health and safety policy in line with our ongoing belief that a healthy workforce contributes to business success and to ensure compliance with OHSAS 18001 in the future. We are committed to preventing new cases of occupational disease and strive towards zero harm by continually identifying, evaluating and controlling workplace exposure.

Economic

We manage our operations to share wealth by promoting regional economic development through local employability, procurement and economic diversification programmes. In addition, we encourage others to participate in sustainable development throughout the supply chain.

Social (communities)

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.

Environment

We manage mining, processing, residue storage and rehabilitation in a way that reduces the impact of our operations on the environment and seeks to be restorative.

Our strategy and key goals in 2013

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 good practices and international standards. The ultimate responsibility for HSE, community and government relations remain with the Board.

Health and safety	
Short term (1 year)	**Longer term (3 to 5 years)**
Focus on top 3 safety risks and implement effective control measurements.	Implement hazardous operations and risk analysis assessment process to drive good practice. Comply with OHSAS 18001.
Economic	
Short term (1 year)	**Longer term (3 to 5 years)**
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)	**Longer term (3 to 5 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)	**Longer term (3 to 5 years)**
Align the growth of operations with land acquisition and urban planning in order to ensure healthy rural and urban living conditions.	Work jointly with government and communities to create new infrastructure, social programmes and leisure activities.

Performance

What we achieved in 2013

- Implemented monitoring programmes and reporting discharges to the Operational Teams
- Identified key areas for energy conservation and water savings
- Initiated design and development of the Environmental Management System
- Revised stakeholder mapping in Sierra Leone, Colombia and Greenland
- Revised HSE and Community Critical High Risks and mitigation plans approved by respective sites
- The Community Multiyear Plan was revised by site management and the Steering Committee in Sierra Leone
- Revised the Voluntary Principles on Security and Human Rights check list in Sierra Leone and Colombia
- Continued to support the Extractive Industries Transparency Initiative (EITI)
- Pledged to support the 10 principles of the United Nation Global Compact (UNGC) key performance indicators

Key performance indicators (KPIs)

We monitor our performance against our strategy and goals and have a list of KPIs devolved from the GRI, which is available on our website.

Environmental

Sierra Leone

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 impacts on the environment. Our environmental monitoring includes air quality monitoring, noise and vibration monitoring, water monitoring (including surface and ground water) and monitoring of our impacts and aspects. As part of our annual Environmental Impact Assessment Licence renewal, we update these documents and submit it to the Sierra Leone Environmental Protection Agency (EPA-SL).

We have adopted the International Finance Corporation's Environmental Health and Safety Performance Standards and these standards are now part of our Environmental Management Plan.

Our environmental monitoring extends into the surrounding communities where we measure community water wells and we also do frequent dust, noise and vibration monitoring.

Greenland

Our Isua project has followed the Government of Greenland's 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.

The environmental work for the Isua project was carried out by qualified international and local Greenlandic companies, which specialise in environmental testing in cold regions. These companies include SNC-Lavalin Inc. (Canada), Orbicon (Denmark), SGS Mineral Services (Canada), Amec (Canada), Golder (Sweden), BGC Engineering (Canada), Asiaq (Greenland). The Environmental Impact Assessment is comprehensive and has concluded that there would be no significant environmental impacts.

Case study – Completing a successful Environmental Impact Assessment (EIA) in Isua, Greenland

For their subsistence and lifestyle the Greenlandic people have relied for centuries on the management of the delicate relationship between human needs and the Arctic environment. In particular, the caribou population, water quality and fishing have played, and are continuing to play, a fundamental role for the population of 56,000. Rightly, the Greenlandic government has very strict requirements and procedures for environmental protection and the sustainability of projects. In line with our environmental policy, we have engaged the best local and international technical resources to address and minimise the environmental impact of the project, including the preparation and submission of an EIA.

The execution of the EIA started with the acquisition of environmental data for the environmental baseline studies of the Isua project site. The field work and baseline studies were carried out over a four-year period from 2008 to 2011. In addition to the baseline work, a wide range of environmental technical studies and laboratory test works were carried out for inclusion in the EIA. Throughout the preparation of the EIA we sought the involvement of the local community through semi-annual public meetings and progress workshops.

The EIA concluded that due to mitigation measures and state-of-the art process technology included in the mine design, the potential environmental impacts were considered 'low' to 'very low'. Following the government's review, the EIA was submitted to four months of public hearings that were ordered in H2 2012. Approximately 20 local organisations submitted written comments and queries about the EIA, which were documented in a Public Document. Thereafter, the EIA was revised to take these comments and queries into account.

In October 2013, the Isua Iron Ore mine project became the first large scale mining project in Greenland to be granted its Exploitation Licence by the Greenland government.

Economic

Sierra Leone

Iron ore mining contributed significantly to GDP growth in Sierra Leone in 2013. Production at Marampa almost tripled from the prior year, significantly increasing royalty payments to the government of Sierra Leone and increasing spend on community development projects.

We are constantly looking for practical ways to increase the local content of all our mining operations and projects. We currently employ around 1,300 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 drive the country's growing economy. We have also modified our procurement processes in order to enable local businesses to supply the site and other larger international organisations. 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. In turn, this aligns with 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.

USD'000	**2013**	2012	2011
Royalties, taxes and fees paid	19,571	10,782	1,057
WHT	11,053	8,952	8,146
PAYE	6,209	4,568	2,836
Total paid and collected	**32,730**	**21,656**	**7,417**

Greenland

Our bankable feasibility study calculated that our Isua project would employ up to 450 local people once in steady state operations. This number would build over the first five years of the mine's life as local people are trained in the skills to take the place of overseas workers. These overseas workers would initially help build knowledge and capacity by training the Greenlandic people operationally. We aim to hire as many local people as possible who demonstrate the ability to develop into positions of responsibility. As the Greenlandic workforce grows, so too would our contribution to the local economy and Greenland's public and private sectors.

USD'000	**2013**	2012	2011
Royalties, taxes and fees paid	**626**	96	37

The above includes USD 25,000 of licence fees in accordance with Greenlandic law.

Case study – Helping to lift 50,000 out of poverty in Marampa, Sierra Leone

In 2012, we engaged an external consultant (Cofinter) to evaluate the socio-economic and environmental externalities of the Marampa mine operation and associated infrastructure.

The study proved valuable not only by building awareness among stakeholders of the socio-economic benefits London Mining brings to the local community and the country, but also by improving our overall approach to sustainability.

The study highlighted benefits such as new economic activity, direct and indirect employment, and poverty reduction. However, it also flagged concerns regarding air and water pollution, damage to the environment caused by resettlement, and impacts on social and cultural life.

Our operations in Sierra Leone employ approximately 1,300 direct employees and 1,800 indirectly through contractors. The Marampa mine is located in the Lunsar area that has a population of 40,000 people and in the Port Loko district that is home to over 450,000 people. Our local expenditure on goods and employment services creates a multiplier effect of 3.5. This is the effect the income generated through employment has on spending on additional goods and services, the demand for which creates more jobs. This in turn also contributes to the national GDP growth, notably from increased public revenue through taxation.

The Cofinter report concluded in 2013 that, when considering this multiplier effect, our operations in Sierra Leone have the ability to generate 10,000 jobs, contribute more than 10% to the GDP, and lift 50,000 people out of poverty.

Social

We believe engaging stakeholders is crucial to the success of every project.

Sierra Leone

In order to maintain and preserve our social licence to operate, we manage our communication channels with local communities and stakeholders through monthly public meetings and a dedicated Steering Committee made up of representatives from major demographic groups in the region. The Steering Committee meets quarterly 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 local communities. The Paramount Chief is the Chair of this Committee.

A public information centre is run in Lunsar 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.

Marampa 2013 social KPIs

Since 2012 we have been reporting several social KPIs to monitor the performance of our community engagement programme and to ensure we follow up on our commitments to local stakeholders.

KPI

	FY2013	FY2012
Resolve all complaints	**64%**	95%
Execute all planned community projects	**76%**	100%
Hold community meetings	**100%**	94%

A total of 76 grievances were received in 2013, many of which were received late in the year. By the year end 49 were resolved with the remaining in advanced stages of resolution.

Of the 25 planned community projects, 19 were executed with six ongoing.

Performance against the planned 16 meetings with all stakeholders was improved in 2013 and exceeded target, with 19 community meetings and four steering Committee meetings held.

Our contributions in 2013:

- Mines to Minds Public Private Partnership (PPP) Project between London Mining, GIZ and St Joseph's Vocational (see case study)
- PPP between London Mining and United Nations Development Programme (UNDP) offered university graduate internships in 2013 with 19 completing four-month internships
- Scholarships granted to 961 pupils and Primary and Junior Secondary Schools in Marampa and Maforkie Chiefdoms, with 11,532 exercise books; 150 geometry sets and school bags distributed
- Access to potable drinking water: 4,200 people in 14 communities have improved access to safe drinking water, while we strive to continue to reduce the incidence level of water-borne diseases
- Prevention of HIV/AIDS PPP conducting baseline study
- Support for the Government of Sierra Leone with Street Child Sierra Leone collaboration with DFID: improving access to primary education by supporting 13 schools plus 46 teachers trained to give access to better education for 4,690 students
- Marampa Youth Agricultural Project MYAP (Cotton Tree Foundation, local communities and London Mining): engaging 500 youths in 10 communities in large-scale agricultural food production; 10 village savings and loan schemes; and increasing the production levels of commercial agricultural crops to enhance food security and improve income level for youths
- Reforestation along the haul road with over 1,000 trees planted with the added benefits of noise and dust reduction
- Support to the interdisciplinary research group on local content in partnership with GIZ and HEC Montréal.
- Further partnerships explored with IFC, DFID, UNDP and USAID in the fields of education, skill and vocational training, support to local economic diversification and SMEs.

Greenland

The Social Impact Assessment (SIA) report completed in 2012 concluded that there are no significant negative social impacts associated with development of the Isua project. Benefits of the project could include direct and indirect employment, training, business opportunities for local enterprises and significant tax income, which altogether would be significant for the sustainable development of Greenland.

Case study – Responding to the plant closure in Boyaca, Colombia

Due to the cessation of production activities at our coke plant 265km north-east of Bogota, Colombia in early 2013, we structured a PPP with the Canadian government and local company Minas Paz de Rio to develop the dairy and forestry industries as alternatives to mining for the 17,000 people of Socha and Socotá. The partnership's objectives are operated through a Canadian network of co-operatives and mutuals (SOCODEVI) that share technical expertise with partners in developing countries to create, protect and distribute wealth.

As part of an overall partnership project spend in excess of CAD 1 million over three years, we have committed CAD 100,000, demonstrating our desire to show good practice with mine and plant closures.

Employees

Our Values

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**

Our values connect our people and define how we operate. We are committed to creating a safe and inclusive work environment where everyone is treated with trust, respect and without discrimination. This is reflected in the way we do business.

2013 highlights

- Lost time injury frequency rate (LTIFR) = 0.25
- USD 520,000 spent on professional development and training
- 300 employees trained in supervisory skills
- Launch of employee recognition programme – Tenki Ya!
- 98% of employees working in Africa
- Local Content Policy implemented
- Fast Track Management Development programme launched
- Graduate Development Programme launched
- Succession planning implemented
- Marampa Centre for Excellence launched
- Collective Bargaining Agreement signed
- Side agreement signed with the United Mineworkers Union (UMU)
- Performance Management Programme implemented

Our people framework

HR strategy and planning

HR Strategy and Planning
- HR strategy
- HR planning
- HR governance

Organisation development
- Change management
- Organisational design
- Research
- Competence development

Transformation
- Diversity management
- Local content
- Culture management

HR measurement and quality
- Balanced scorecard
- HR measurements
- Compliance and quality assurance

HR infrastructure processes

HR operations
- Shared services management
- Financial control
- Projects
- HR information systems
- Organisation management

Communication and knowledge management
- Communication forums
- Leadership forums

Employee relations
- Grievance and disciplinary management
- Union relations
- Employee labour relations
- Labour relations framework
- Employee well-being programmes

Employee life cycle processes

Leadership development
- Leadership and executive development
- HiPo's career development

Talent management
- Learning and development
- Performance management
- Career development
- Succession planning
- Coaching and mentoring

Rewards and benefits
- Reward/reward reviews
- Employee benefits
- Incentive management
- Pension

Resourcing
- Bursary management
- Recruitment
- Redeployment strategies
- Graduate development
- Internships/learnerships
- Exit management
- Contracting
- Induction and orientation
- International assignments
- Relocation services

Employees
continued

Workforce profile
We are deeply rooted in West Africa. Our mining, geology, process plants and services currently employ over 1,500 employees in permanent and fixed term roles. The majority of our workforce, 98%, is in Sierra Leone. 9% of our permanent employees are female. In 2013 we recruited 537 new hires (2012: 879) made up of 298 permanent and 239 fixed term employees. Our contractors support an additional 2,198 employees in the activities related to our mine.

Employee turnover
The annualised staff turnover for permanent employees across the Group is 33% (2012: 26%). This is attributed to redundancies, resignations, end of contracts and dismissals. Our organisational redesign programme was aimed at achieving maximum operating capacity, while optimising costs.

Diversity policy
We develop our employment policies to reflect local legal, cultural and employment requirements. Diversity plays an important role in a successful business. Our diversity policy outlines our commitment to creating an inclusive work environment which respects, values, celebrates and capitalises on the individual differences people bring to London Mining.

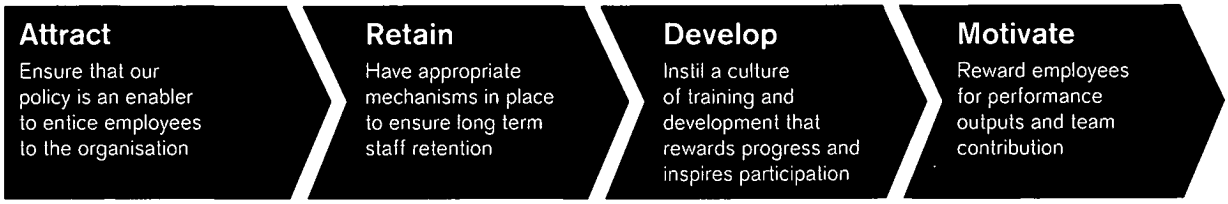
Employee relations
Our commitment to respect the right of employees to associate freely and to bargain collectively is articulated in our human resources policies and is aligned to our commitment on human rights. Currently about 83% (1,070) of our employees are unionised with the United Mineworkers Union (UMU). The three-year Collective Bargaining Agreement (CBA) was signed between ourselves and UMU in November 2013.

High performance culture and people
- We differentiate ourselves by recognition of our people that consistently deliver the outputs that we require from our business on a daily basis.
- Our culture manifests itself through our vision, policies, procedures, communication style and leadership behaviour.
- Our leaders consistently communicate clear messages that help people understand what is expected of them.
- In order to realise the full potential of our organisation, we engage the hearts and minds of our people – individuals and teams – by consistently exhibiting and stimulating the leadership behaviours that will deliver high performance in everything we do.

Performance and recognition

We gauge employee performance against a defined set of key performance indicators, through dialogue and biannual feedback. The performance management framework is based on the balanced scorecard approach to promote delivery of quality and timely results and to foster a culture of accountability. In 2013, we also launched our Tenki Ya! employee recognition initiative to say "thank you" to our staff and celebrate an individual's or team's performance.

Focusing on attracting, retention and development



We employed a number of tools to assess skills and to better understand career aspirations. We conducted 640 Learning Ability Battery (LAB) assessments and 587 employees participated in baseline skills assessment and competency analysis. In 2013, we spent a total of some USD 520,000 on formal training and qualifications. The majority of this spend was directly linked to operations and a significant proportion continues to be dedicated to safety training. As part of our ongoing people development strategy we will continue to provide a range of development programmes and training to help our employees develop their skills and capabilities.

We have also partnered with GIZ (German Society for International Cooperation) and St Joseph's Vocational College in Lunsar to jointly commit to EUR 470,000 to fund a skills training programme aimed at improving the employability of the local community in the Mining District of Port Loko. This programme provides a range of training for employees and the community, including engineering skills, IT skills, adult literacy and building/ civil works skills. A Functional Adult Literacy programme and a Village Savings and Loan Scheme to empower youths and young adults have been introduced as a major component of the Mine to Minds project. The funds will be released over the course of 18 months. Technical, vocational and educational training at St. Joseph's has also been introduced to help build local capability.

Training completed in 2013:

- Learning Ability Battery (LAB) assessments completed
- 10 people are currently pursuing further higher education degrees with financial support
  - In addition four staff are on study leave
- Training programmes:
  - All of our employees have completed Anti-fraud, bribery and corruption training
  - 14 training modules on supervisory skills conducted
  - 13 HSE courses implemented
  - 88 participants completed Management Effectiveness Training
  - 300 participants completed Core Business Skills & Personal Effectiveness Training
  - Eight participants attended Professional Skills Training
- Internships

Local content

We are committed to creating transparent and sustainable employment and economic development opportunities for the local industry and private sector in Sierra Leone. Currently, 93% of our workforce are Sierra Leonean nationals. We aim to continue to grow and create employment opportunities for national workers. Key initiatives include:

- Succession planning to identify and grow future leaders. There are currently five people undertaking our Fast Track Management Development Programme.
- Mentorship programmes.
- Internship programmes: 25 new interns hired in 2013.
- Educational and training opportunities.

Financial review

2013 saw the first full year of operating profit, driven by a 289% increase in Marampa EBITDA.

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.

In 2013 we successfully commissioned and ramped-up the second process plant and increased production output to 3.2Mdmt (prior year 1.5Mdmt). From 1 February 2013 the plant has been considered to be in commercial production and depreciated accordingly.

During the year we completed two debt restructurings, the final one of which is expected to allow us, based on expected cash flow from current operations, to pursue our stated strategy of significantly extending the Marampa mine's life to over 40 years and increase the mine's capacity to 6.5Mwmt/a.

Highlights

- First Group operating profit of USD 22.6 million, a USD 49.8 million increase from prior year (2012 loss USD 27.2 million)
- Group EBITDA increased by USD 68.3 million to USD 54.1 million (2012 loss of USD 14.2 million)
- Marampa EBITDA increased by USD 59.0 million to USD 79.4 million (2012 USD 20.4 million)
- Loss before taxation of USD 19.2 million, an improvement of USD 38.8 million from prior year (2012 loss USD 58.0 million)
- Debt of USD 310 million refinanced to extend tenor providing facilities for Life of Mine extension

On 17 May 2013, we drew down on a revised USD 180 million corporate debt facility. Net proceeds after issue costs and the repayment of the previous facility of USD 90 million with SCB were USD 84.1 million. This allowed the repayment of the USD 55 million unsecured loan with Vitol (USD 60.6 million including rolled-up interest).

Subsequently on 30 December 2013, we drew down in full on a further revised USD 200 million corporate debt facility with Standard Chartered Bank (SCB), FirstRand Bank Limited (RMB), Ecobank and FBN Bank. Net proceeds resulting from the increase in facility from USD 180 million to USD 200 million were USD 13.9 million, with total net proceeds from the two corporate debt restructures of USD 98.0 million during the year. Maturity of the facility has been extended to 31 March 2019 (from January 2016), with first amortisation in June 2016. In addition the maturity of the USD 110 million Guaranteed Convertible bonds has been extended to 30 April 2019 (from February 2016) with an increase in coupon from 8% to 12%. The conversion price remains unchanged at GBP 4.7541. Together with expected cash flows from current operations, based on reasonable assumptions, this should give the Group sufficient liquidity to finance the USD 280 million capital programme to extend the Marampa mine life to over 40 years and its capacity to 6.5Mwmt/a.

On 5 March 2014 we entered into a five-year offtake agreement with Cargill. The agreement is for 1Mwmt/a and includes a USD 20 million rolling prepayment facility.

We are committed to reducing costs at both the operational and corporate level. Initiatives have already been undertaken and further initiatives are planned over the coming months targeting a steady state head office cash overhead of USD 15 million or less from 2015.

1. Earnings summary

USD million	2013	2012
EBITDA (continuing operations)	**54.1**	(14.2)
Sierra Leone	**79.4**	20.4
Greenland	**(0.7)**	(2.3)
Saudi Arabia	**(0.1)**	(0.6)
Corporate – excluding non-cash share-based payments	**(16.4)**	(25.8)
Corporate – share-based payments	**(8.1)**	(5.9)
Depreciation	**(31.5)**	(13.0)
Profit/(loss) from operations	**22.6**	(27.2)
Other gains and losses	**(1.6)**	–
Net finance charge	**(40.2)**	(30.8)
Taxation	**(1.4)**	29.7
Net loss after tax (continuing operations)	**(20.6)**	(28.3)
Result from discontinued operations	**(4.3)**	(79.5)
Loss for the year	**(24.9)**	(107.8)

Group EBITDA

Group EBITDA from continuing operations for the year was USD 54.1 million, an improvement of USD 68.3 million from the prior year after a contribution of USD 79.4 million EBITDA from the Marampa operations:

Marampa operations:

USD million	2013	2012
Revenue	**299.4**	120.6
Royalty	**(10.5)**	(3.8)
Operating costs	**(201.5)**	(116.8)
Inventory movement	**(8.0)**	20.4
EBITDA	**79.4**	20.4

Mdmt	2013	2012
Production	**3.2**	1.5
Sales	**3.4**	1.5
Concentrate stockpile	**0.1**	0.3

Revenues were USD 299.4 million (after USD 18.8 million hedge loss), on total sales of 3.4Mdmt 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 89/dmt (after hedging).

We successfully commissioned and ramped-up the second processing plant, achieving production of 3.4Mwmt for the period. Installed capacity is now 5.4Mwmt/a. Attributable operating costs (before royalties and depreciation) for the year were USD 57/wmt during this ramp-up phase.

Group EBITDA:
Other corporate costs reflected in Group EBITDA include USD 16.4 million of costs excluding non-cash share-based payments (prior year USD 25.8 million) and USD 8.1 million of non-cash share-based payments (prior year USD 5.9 million).

Corporate overheads of USD 16.4 million have reduced by USD 9.4 million (prior year USD 25.8 million) following targeted cost reduction resulting from lower remuneration and a reduction in legal costs and travel savings.

The USD 2.2 million increase in non-cash, share-based payment charges is due to a charge of USD 2.7 million (prior year USD 1.6 million) for the Fraser Turner settlement in 2012 and charges relating to options issued to employees during 2012 and 2013.

Net finance costs

Net finance costs of USD 40.2 million (prior year USD 30.8 million) have increased by USD 9.4 million largely as a result of the increase in debt facilities. Finance costs include:

- USD 33.0 million borrowing costs (prior year USD 27.5 million) being interest payable under the restructured corporate facility, the convertible and the Vitol facility (now repaid in full). As construction is nearing completion, interest capitalised has reduced in the period to USD 0.8 million (prior year USD 5.5 million)
- USD 10.0 million non-cash unwinding of the discount recognised in respect to the BlackRock royalty agreement (prior year USD 10.1 million); offset by USD 9.9 million fair value gain (prior year USD 7.5 million)
- USD 4.3 million finance lease charges (prior year USD 3.9 million) relating to the Pride of Marampa transhipment vessel

Taxation

We recorded a taxation charge of USD 1.4 million for the year (prior year credit of USD 29.7 million) in relation to profits generated in Sierra Leone.

Discontinued operations

As reported in the results for the year ended 31 December 2012, following a strategic review, the Colombia operations were placed on care and maintenance with a view to divesting the asset so that we can focus on our core iron ore assets. As reported in note 31 to the financial statements, on 20 February 2014 the business was sold.

2. Balance sheet

Non-current assets

USD million	2013	2012
Sierra Leone	**499.3**	425.9
Greenland	**66.8**	65.1
Saudi	**26.1**	25.9
Other	**0.4**	0.5
Total intangible assets and property, plant and equipment	**592.6**	517.4
Other and deferred tax asset	**25.1**	13.7
Total non-current assets	**617.7**	531.1

Non-current assets have increased by USD 86.6 million to USD 617.7 million driven by the ongoing development and expansion of the Marampa project. Marampa assets increased by USD 73.4 million primarily as a result of the continued development of Phase 1 to achieve 5.4Mwmt/a capacity.

Sierra Leone assets

USD million	2013	2012
5.4Mwmt/a project cost	**393.1**	331.5
Expansion studies	**15.3**	7.6
JORC resource and drilling	**25.4**	25.4
Mineral property and acquisition	**19.6**	19.2
Capitalised borrowing costs	**19.0**	19.0
Environmental provision	**3.2**	3.8
Other assets	**23.7**	19.4
	499.3	425.9

5.4Mwmt/a project breakdown

USD million	2013	2012
5.4Mwmt/a capital cost	**301.1**	243.3
5.4Mwmt/a optimisations	**29.6**	15.6
Owners construction team	**33.7**	26.0
Capitalised overheads	**48.0**	36.1
Transhipment vessel	**24.6**	24.2
Depreciation	**(43.9)**	(13.7)
	393.1	331.5

Total Marampa capital additions of USD 104.4 million included:

- USD 57.8 million direct capital cost as installed capacity extended to 5.4Mwmt/a
- USD 14.0 million of optimisations, including tailings storage facility and haul road upgrades
- USD 7.6 million owners construction team costs
- USD 11.9 million capitalised overheads relating to construction
- USD 7.7 million Marampa development studies
- (USD 30.8 million) depreciation charges

The 5.4Mwmt/a capital cost (including optimisations) is expected to be around USD 340 million and was substantially complete at year end with accrued costs of USD 330.7 million.

Liabilities

USD million	2013	2012
Trade and other payables	**76.5**	71.4
Current borrowings	**6.7**	116.2
Finance lease	**0.9**	0.8
Other current liabilities	**20.6**	9.4
Liabilities held as available for sale	**0.4**	2.6
Current liabilities	**105.1**	200.4
Non-current borrowings	**288.0**	131.0
Deferred tax and provisions	**3.9**	3.9
Finance lease	**16.8**	17.8
Other non-current liabilities	**126.2**	134.9
Non-current liabilities	**435.0**	287.6
Total liabilities	**540.1**	488.0

a) Trade and other payables
Trade and other payables include USD 30.3 million (2012: USD 25.0 million) prepayments of Marampa iron ore concentrate under the terms with Glencore and Vitol. Also included are creditors due for Marampa operational and capital expansion activities.

b) Borrowings
Borrowings relate to the USD 200 million corporate facility and the USD 110 million convertible bond. Current borrowings represent interest due within one year.

c) Finance lease
In January 2012 we completed a sale and leaseback agreement 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.

d) Other liabilities
Included within other liabilities is the non-recourse BlackRock royalty financing, which is restated to fair value at each reporting date. The total liability at 31 December 2013 is USD 106.4 million, of which USD 9.9 million is 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 29.8 million).

Net debt

USD million	2013	2012
Cash	**47.2**	92.8
Bank loans	**(193.4)**	(91.4)
Convertible bonds	**(101.3)**	(97.6)
Offtake financing – unsecured loan	**–**	(58.2)
Finance lease	**(17.8)**	(18.5)
Total net debt	**(265.3)**	(172.9)

Pro-forma net debt has increased during the year to USD 265.3 million following the draw down of the USD 200 million corporate facility (from USD 90 million at the start of the year). The proceeds were used to repay unsecured offtake financing.

The royalty agreements for Marampa (BlackRock) and Isua (Anglo Pacific) are not considered as debt as there is no requirement to cash settle in the event of no production.

3. Cash flow

Total cash decreased during the year by USD 45.5 million to USD 47.2 million.

USD million	2013	2012
Cash flow from operating activities	**63.8**	(30.8)
Cash flow from investing activities	**(112.3)**	(191.9)
Cash flow from financing activities	**2.9**	247.7
Increase/(decrease) in cash	**(45.6)**	25.0
Opening cash	**92.8**	67.8
Closing cash	**47.2**	92.8

a) Operating activities

USD million	2013	2012
Group EBITDA profit/(loss)	**54.1**	(14.2)
Non-cash, share-based charges	**8.1**	5.8
Movement in receivables	**(16.0)**	(23.7)
Movement in inventory	**6.4**	(23.2)
Movement in payables	**13.0**	37.9
Taxes paid	**(1.8)**	–
Cash from operating activities (continuing operations)	**63.8**	(17.2)
Cash flow from discontinued operations	**(0.1)**	(13.6)
Cash flow from operating activities	**63.7**	(30.8)

Cash flow from operating activities has improved by USD 94.5 million to USD 63.7 million, resulting from the positive EBITDA contribution from increased Marampa production. An USD 16.0 million increase in receivables includes USD 8.5 million for revenue receivables following the ramp-up in exports and USD 6.1 million in deferred contractor mobilisation payments relating to Marampa operations.

b) Investing activities

Net cash outflow from investing activities was USD 112.3 million (prior year USD 191.9 million) and relates mainly to Marampa development, with minimal expenditure in relation to other projects in the year.

c) Financing activities

Net cash inflow from financing activities of USD 2.9 million (prior year USD 247.7 million) includes:

- USD 98.0 million received due to the increase in the corporate debt facility to USD 200 million (from USD 90 million), after issue costs and repayment of the original USD 90 million facility
- (USD 55 million) repayment of unsecured offtake financing
- (USD 30.1 million) interest paid on borrowings, including USD 5.6 million deferred interest on unsecured Vitol facility
- (USD 5.1 million) paid under the BlackRock royalty agreement

4. Liquidity and going concern

At 31 December 2013, the Group had cash on hand of USD 47.2 million and undrawn committed facilities available of USD 17.0 million.

On 28 November 2013, a revised corporate debt facility of USD 200 million was finalised, which was drawn down in full on 30 December 2013. The revised facility has a tenor of five years, ending in March 2019, with first repayment due in June 2016. The facility agreement contains certain financial covenants and minimum liquidity tests which are sensitive to market prices and changes in operational performance, in particular in respect of the ongoing commissioning and ramp-up of operations. All covenants and liquidity tests are forecast to be met based on reasonable assumptions.

We expect to have sufficient cash resources to fund the 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 and all other options 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 the Group has sufficient liquidity to fund its committed expenditure. In the event of certain adverse pricing or ramp-up scenarios, management has within its control the option of deferring uncommitted capital expenditure (which may impact future commissioning dates) to maintain the Group's funding position. The Directors are therefore satisfied 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

We have entered into commodity price derivatives under the terms required for the new corporate facility. As a requirement of our new financing facility, we continue to execute our ongoing hedging programme to protect against downside iron ore price movements. Currently hedges are in place relating to 1,279 kdmt of H1 2014 production at USD 119/t and 218 kdmt of H2 2014 production at USD 120/t.

6. Related party transactions

Related party transactions are disclosed in note 30.

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.

Principal risks and uncertainties

Understanding and responding to our key financial, operational and reputational risks is critical to the success of London Mining. We are exposed to a variety of risks and uncertainties and we consider these in line with our risk management procedures discussed in the Governance section on page 63.

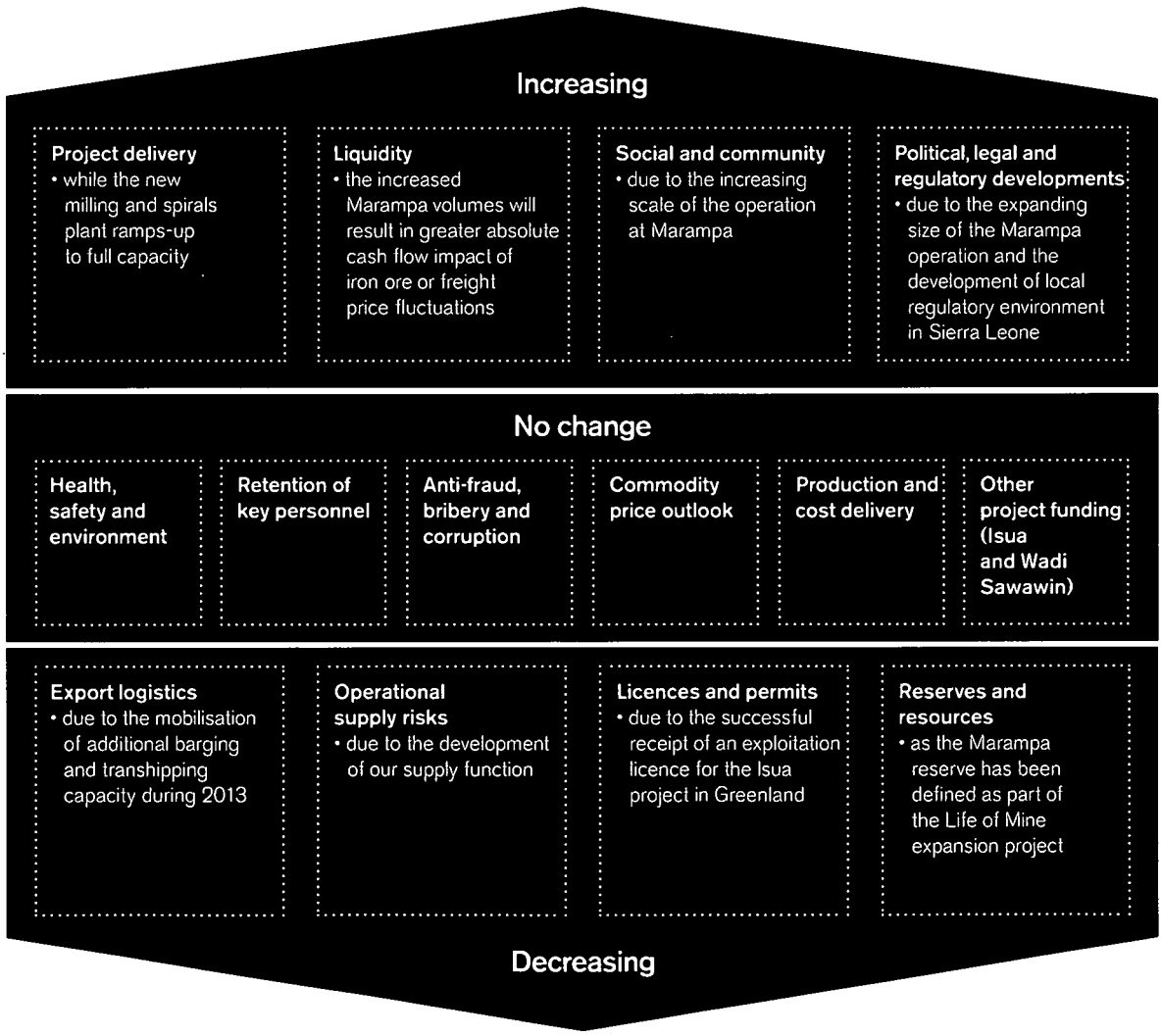
Our risk management process includes:

- Identifying and evaluating risks
- Designing and implementing responses
- Monitoring risks and actions

Our principal risks and uncertainties, disclosed in this section, have been categorised in line with our core strategic competencies.

We recognise that our risk environment is continually changing based on both external and internal factors. The chart below highlights key changes in the risk profile of our principal risks and uncertainties. We discuss the factors driving these changes in further detail over the following pages.

Risk profile



Operational excellence

● Project delivery

Risk
The delivery of our expansionary projects and the sustained increases in production at Marampa involve a number of risks, some of which are outside our control.

These include the effect of the weather, technical uncertainties, infrastructure constraints, skill shortages and financing availability.

Impact
Restrictions in the ability to execute projects or delays in project completion could lead to increased project costs and delays in the realisation of production volumes or operational cost savings.

Mitigation
We have detailed planning processes including the development of comprehensive timetables, budgets and production forecasts. Our executive management is closely involved in this process.

In 2014, we begin the next project phase at Marampa to further increase plant capacity and to process the primary ore on site. This project uses existing technology at Marampa and on similar mine sites and therefore the additional project risk is considered to be mitigated. The Group may also enter into contracts with established EPCM contractors to assist in the delivery of the next project phase.

● Export logistics

Risk
Revenues depend on secure logistics to deliver product to the market, in particular the barging and transhipment solutions in Sierra Leone.

Logistics could be impacted by marine risks including poor navigation, inadequate dredging, adverse weather and marine traffic.

Impact
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 in Sierra Leone could also decrease the ability to meet the shipping plan.

Mitigation
We have engaged specialist contractors with appropriate experience to operate logistics solutions and we regularly monitor their performance.

The additional barging capacity and transhipment vessels mobilised during 2013 serve to lower our export logistics risk, and enhanced solutions will be introduced in 2014 to provide capability to manage the increased volumes.

● Operational supply risks

Risk
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.

Impact
Production could be delayed or shutdown due to a lack of materials or equipment which could significantly impact cash flow and profitability.

Mitigation
We work closely with key suppliers to prevent delays in the delivery of equipment.

Contingency plans are in place to address issues around potential key bottlenecks. In 2013, we undertook an exercise to identify critical spares and develop an appropriate replacement strategy.

● Health, safety and environmental standards

Risk
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.

Impact
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, and could cause production losses dependent on the nature of the incident.

Mitigation
We take health, safety and environmental risks very seriously and operate a zero-tolerance approach to non-compliance in this area.

HSE training is regularly completed by all staff at Marampa and a HSE induction is given to all new starters on site.

We employ external consultants, when necessary, to assist us in validating our planning assumptions for the operation.

We also work with local community groups around our concession area to educate the local population of the potential risks inherent in our operation, such as traffic on our haul road.

Principal risks and uncertainties
continued

High performance culture and people

● **Retention of key personnel**

Risk
We could fail to put into place appropriate incentivisation schemes leading to unplanned staff departures, particularly of key management.

Impact
This could lead to significant and sudden loss of knowledge/skills; reduced efficiency and effectiveness; and delayed project delivery or business development.

Mitigation
We carry out regular reviews of remuneration and incentive plans in order to attract, retain and incentivise key employees.

Succession planning for key management is an important issue on both the Board and Executive Leadership Team agendas.

● **Anti-fraud, bribery and corruption**

Risk
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.

Impact
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.

Mitigation
We have documented policies relating to business conduct, adopt a zero tolerance approach to deviations and have whistle-blowing procedures in place.

Anti-corruption training has been completed by employees in all locations, including specific training targeted at senior management and employees in key finance and procurement roles.

Financial performance

● Commodity price volatility

Risk
The prices for iron ore are strongly influenced by macroeconomic factors, particularly Chinese demand for iron ore.

Impact
Our share price, financial results and liquidity can be adversely affected by declines in commodity prices.

Mitigation
Market expectations currently forecast a decline in the price for iron ore, and we have run sensitivity analysis to fully understand the implications for our short and long term business and funding models.

We have a framework in place to hedge a proportion of our sales volumes in order to mitigate the exposure of our cash flows to commodity price volatility during the current period of capital expansion at Marampa.

We are focused on a reduction of our all-in costs.

● Production and cost delivery

Risk
Any variance in production quantities compared to budget may lead to an unforeseen change in operating costs.

Operating costs include inputs which are susceptible to inflationary and supply and demand pressures, including fuel, labour and equipment costs.

Impact
Unforeseen reductions in production volumes or increases in the cost of inputs could lead to deterioration in our financial results.

Mitigation
We monitor operating cost performance continually through budgets, reports and management meetings.

We also look to secure fixed price agreements with suppliers where possible to minimise pricing exposures.

There are capital expenditure projects planned for 2014 to sustain and improve the existing plants, and to increase the level of redundancy in various parts of the operation.

Principal risks and uncertainties
continued

Strategic partnerships and funding

● Liquidity

Risk

Fluctuations in iron ore and freight prices, reductions in our plant production volumes and failure to meet our ramp-up targets may cause differences in our cash flow profile compared to budgets. As the scale of the Marampa operation increases, the impact of any changes in prices or reduced volumes is more significant to the Group.

We must comply with all covenants and liquidity tests to ensure loan facilities are not in default.

We may not be able to secure sufficient financing to meet liabilities as they fall due.

Volatility in capital and credit markets could reduce our ability to raise finance and to service current debt and obligations.

Impact

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, reduced profitability, material impacts on shareholder value or a requirement to raise additional financing through debt or equity.

Mitigation

We monitor our cash flow forecasts closely and regularly reforecast them to ensure there are sufficient committed funds in place to meet all committed expenditures and obligations under our facilities for the foreseeable future.

We have the ability to review and re phase capital expenditure to mitigate changes in our cash flow profile.

On 28 November 2013 the Group announced the extension and amendment of bank facilities and convertible bonds. This transaction is a significant step in the extension of the Marampa mine's life to 40 years and increasing the mine's capacity to 6.5Mwmt/a.

We can also explore options to raise additional finance should the Board consider it necessary.

● Other project funding (Isua and Wadi Sawawin)

Risk

We require external financing to develop certain capital intensive projects, such as the projects in Greenland and Saudi Arabia.

Impact

If we are unable to find suitable funding partners we may not be able to develop projects in line with our business strategy.

Mitigation

The Board regularly discusses the funding strategy for key projects and considers all options of maximising value for shareholders, including strategic partnerships and disposals.

● Social and community

Risk

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.

Impact

Failure to properly engage and manage local communities could result in prolonged disputes which could cause increased costs, project delays and reputational damage.

Mitigation

We have an established process for proactively engaging and involving communities surrounding our operations and for dealing promptly with any potential disputes.

We recognise that, as the scale of our operations at Marampa increases further in 2014, we have a continual need to plan, monitor and respond to the impact on the expanding number of communities affected by the operation in and around our concession area.

Board members attend a Corporate Sustainability Advisory Committee in order to monitor and manage the impacts of our activities on the local environment.

Strategic partnerships and funding continued

● **Political, legal and regulatory developments**

Risk

We are exposed to political and regulatory developments in the countries where we operate, including Sierra Leone, Greenland and Saudi Arabia. The impact of local political developments or changes in fiscal or mining regulations can be beyond our control.

As the Marampa operation continues to grow as one of the larger businesses in Sierra Leone and the local regulatory regime continues to develop, we recognise the need for increasing focus in this area.

This risk is considered to have increased due to the new and potential changes in regulations, and the impact of any changes being likely to be more significant due to the increasing size of the operation and its performance.

Impact

Potential impacts could include political instability, civil unrest, termination of existing agreements, requirements to use government mandated suppliers, loss of licences or permits, expropriation of assets, the imposition of increased royalties or taxes, or restrictions on exports.

Mitigation

To mitigate this risk, 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.

We continue to build an open and constructive dialogue with the government, with the objective of supporting the development of Sierra Leone, while building value for London Mining shareholders.

Strong growth pipeline

● **Licences and permits**

Risk

We depend on the granting and renewal of mining and exploration licences and associated permits in order to explore for and produce mineral resources.

Impact

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.

Mitigation

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.

During 2013 we successfully obtained the exploitation licence for the Isua project in Greenland, providing a clear legal right and defined basis to move forward with funding discussions.

● **Reserves and resources**

Risk

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.

Impact

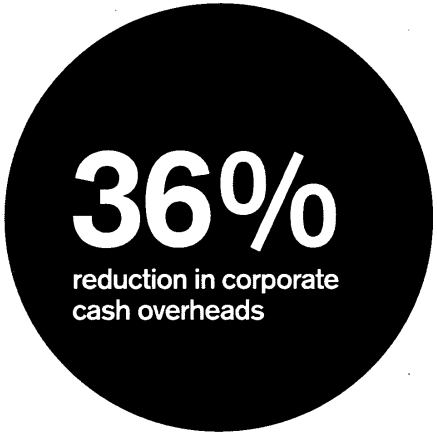
There is no guarantee that estimated mineral resources can be recovered through mining activities. If we cannot access reserves and resources, future profitability may be impacted.

Mitigation

We have an experienced team of suitably qualified personnel involved in our estimates of reserves and resources.

During 2013 the Marampa reserve was defined as part of the Life of Mine development project.

Reserves and resources estimates are prepared using industry standard JORC methodologies to reduce risk.


36%
reduction in corporate
cash overheads

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.

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Board of Directors

01. Michael Miles OBE
Non-Executive Chairman (Age 77)
Michael Miles OBE joined the Board of London Mining in December 2012 as a Non-Executive Director and became Chairman in March 2013. 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 where he served as CEO and later Chairman, Michael has extensive experience in the Far East/China, the most important market for iron ore.

02. Sir Nicholas Bonsor
Non-Executive Deputy Chairman (Age 71)
Sir Nicholas Bonsor 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. He 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 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.

03. Graeme Hossie
Chief Executive Officer (Age 49)
Graeme Hossie 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 mining projects and international management team as well as fundraisings 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 programme to develop the Group's other projects, in particular the Sierra Leone operation which began production, exports and 5.4Mwmt/a 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.

04. Benjamin Lee
Chief Financial Officer (Age 42)
Since joining London Mining in April 2009, Benjamin Lee has been involved in all the financing and strategic aspects of London Mining, previously in his role of Head of Corporate Development and currently in his role as Chief Financial Officer. Prior to joining London Mining, he was the lead adviser to the Company on the disposal of its Brazilian iron ore mine while Head of UK Mergers and Acquisitions at Kaupthing Bank in London from 2007 to 2008. Benjamin worked for over 13 years in mergers and acquisitions at UBS in London and New York, advising on and financing a wide variety of transactions for large and medium-sized companies. Benjamin graduated from Cambridge University in 1993 with a Master of Arts degree in Economics.

05. Luciano Ramos
Non-Executive Director (Age 54)
Luciano Ramos 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 managing and co-ordinating process engineering at iron, gold, bauxite, kaolin and manganese plants; project implementation for both greenfield and brownfield operations; project co-ordination for the manufacturing of mineral processing equipment; management of processing operations; and technological research and development.

06. Malcolm Groat
Non-Executive Director (Age 53)
Malcolm Groat 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.

07. Colin Harris
Non-Executive Director (Age 67)
Colin Harris 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 multimillion dollar programmes 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.

08. Alan Ferguson
Non-Executive Director (Age 56)
Alan Ferguson was appointed to the Board on 21 March 2013 as a Non-Executive Director. Alan is 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, the platinum mining company, BOC Group Plc and Inchcape Plc. Alan is a chartered accountant with over 30 years' experience and chairs the Audit Committee.

Executive leadership team

01. Graeme Hossie
Chief Executive Officer
Graeme Hossie 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 mining projects and international management team as well as fundraisings 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 programme to develop the Group's other projects, in particular the Sierra Leone operation which began production, exports and 5.4Mwmt/a 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. Jim North
Chief Operating Officer
Jim North has over 22 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 working in the areas of mining, minerals processing and port operations. 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.

03. Benjamin Lee
Chief Financial Officer
Since joining London Mining in April 2009, Benjamin Lee has been involved in all the financing and strategic aspects of London Mining, previously in his role of Head of Corporate Development and currently in his role as Chief Financial Officer. Prior to joining London Mining, he was the lead adviser to the Company on the disposal of its Brazilian iron ore mine while Head of UK Mergers and Acquisitions at Kaupthing Bank in London from 2007 to 2008. Benjamin worked for over 13 years in mergers and acquisitions at UBS in London and New York, advising on and financing a wide variety of transactions for large and medium-sized companies. Benjamin graduated from Cambridge University in 1993 with a Master of Arts degree in Economics.

04. Thomas Credland
Head of Investor Relations
Thomas Credland 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.

05. Rohit Bhoothalingam
General Counsel, Company Secretary
Rohit Bhoothalingam 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. Since joining 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.

06. Claude Perras
Head of Sustainability
Claude Perras 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.

07. Rosh Bardien
Head of Group Human Resources
Rosh Bardien 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 programmes, 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

We have significantly enhanced our governance in 2013, and are committed to maintaining high standards of corporate governance.

Dear shareholder

I am pleased to report that we have significantly enhanced our governance over the past year and indeed since our admission to AIM over four years ago. As an AIM-listed company, London Mining is not required to follow the UK Corporate Governance Code (the Code). However, we have endeavoured to follow the principles and provisions of the Code keeping in mind our size and structure. Since the Company was admitted to AIM in November 2009, we have evolved the corporate governance structure in line with London Mining's progress and development from being a developer to a producer of iron ore.

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

While the Code allows companies to explain their reasons for non-compliance with any of its provisions, we wish to minimise areas of non-compliance with the Code.

Enhancing governance

We now have three independent Non-Executive Directors, and a Chairman who was independent on appointment. The Board undertakes regular internal and external reviews of its performance. Remuneration policy has been brought in line with ABI guidelines and market best practice. This aligns executive remuneration with shareholder expectations. We have improved the robustness of our risk and internal control procedures in line with the Turnbull recommendations, and introduced a number of sustainability and community initiatives in keeping with best practice. All our Board committees now meet the independence standards prescribed by the Code and our Audit Committee has had an independent Chairman, Alan Ferguson, since May 2013.

Board focus

During 2013, the Board met on nine occasions. Among other matters, the Board reviewed:

1. The health and safety of employees and contractors across the Group
2. Project performance and improvements at Marampa
3. Funding plans including the Marampa expansion and Life of Mine extension
4. Financial reporting and planning including the 2013 Budget
5. Cost reduction plan
6. Realising value from the Isua and Wadi Sawawin projects
7. Community and stakeholder initiatives
8. Assessing and managing Group risk and internal controls
9. Setting strategy
10. Approach to corporate governance, Board structure and balance
11. Communication with shareholders
12. Independence and composition of Board committees
13. Anti-bribery and other regulatory compliance
14. Executive Director remuneration
15. The results of the Board evaluation

Board changes

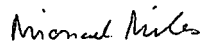
A well-managed and progressive process of non-executive succession at London Mining means that we have refreshed the Board with new appointments that bring extensive FTSE 100 experience to the Board. I took over from Dr. Colin Knight as Chairman of the Board on 21 March 2013. On behalf of the Board, I would like to thank Colin for his eight years of stewardship at the Company during which time London Mining progressed from a start-up to a successful producer of iron ore.

Luciano Ramos will retire from the Board in June 2014 after eight years with the Company. Luciano was an integral member of the London Mining management team and a driving force in building the Company's key technical competencies. His presence on the Board has ensured a smooth transition from exploration to operations at Marampa. On behalf of the Board I would like to thank Colin and Luciano for their contribution to the success of London Mining over the past eight years during which time London Mining progressed from a start-up to a successful producer of iron ore.

Alan Ferguson joined the Board as a Non-Executive Director on 21 March 2013 and began chairing 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, the platinum mining company, BOC Group Plc and Inchcape Plc. The Board is pleased to be able to call on Alan's extensive FTSE 100 and financial experience in continuing to develop a successful business. Alan replaced Graham Mascall, who retired on 21 March 2013 from the London Mining Board after three years as a Non-Executive Director.

In November, we announced the appointment of Benjamin Lee as Chief Financial Officer, replacing Rachel Rhodes who left the Company in November 2013. Benjamin has been an integral part of the Executive Leadership Team since joining London Mining in 2009 and has been an Executive Director since 2011.

The Company continues to welcome shareholder feedback and will continue improving its processes as we review a move to the Main Board at the appropriate time. We look forward to a continuing and productive dialogue with you this year.



Michael Miles
Chairman

Governance of London Mining

At London Mining we are 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 for 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, and Alan Ferguson, appointed as a Non-Executive Director in March 2013 are both considered by the Board to be independent. Michael Miles, appointed as a Non-Executive Director in December 2012 and Chairman of the Board in March 2013, was considered independent on appointment.

Sir Nicholas Bonsor is also considered by the Board to be independent having not had any previous connection with the Company prior to his appointments to the Board. To address shareholder concerns with respect to share options held by Sir Nicholas Bonsor, the Board worked with shareholders during 2012 to establish a way to equitably dispense with his share options to enable shareholders to be more comfortable with his independence. Malcolm Groat was an Executive Director of the Company (Part-time Finance Director for a brief period in 2008) and therefore on a strict interpretation of the Code, is not considered independent. However, the Company believes Malcolm's 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. Luciano will retire from the Board in June 2014.

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

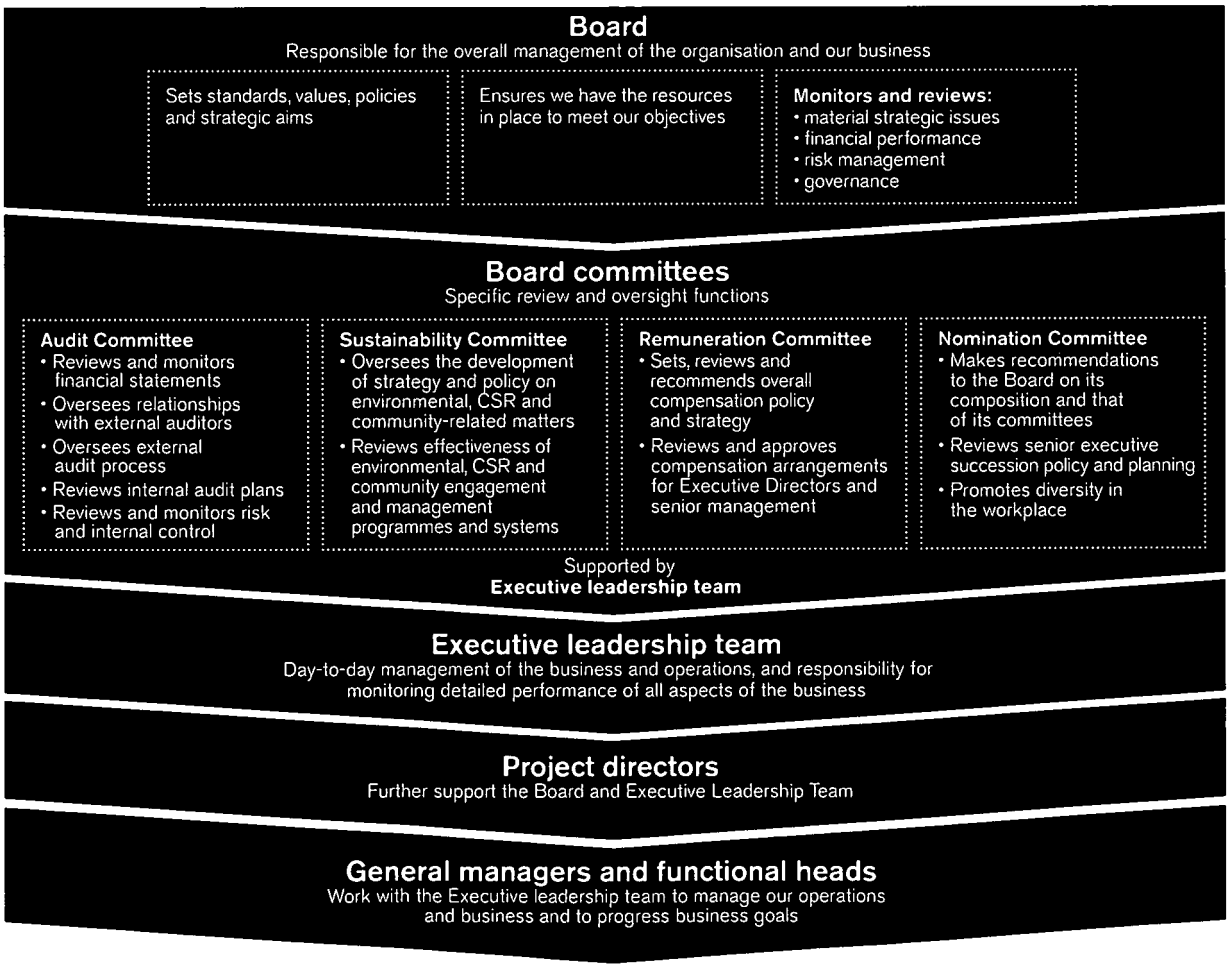
*Due to retire from the Board in June 2014.

Board diversity

The Board has adopted a diversity policy which recognises and embraces the benefits of having a diverse Board. The Company believes that increasing diversity at Board level is an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of Directors. These differences and the balance of skills will be considered in determining the optimum composition of the Board. All Board appointments are made on merit, in the context of the skills and experience the Board as a whole requires for it to be effective. The Board is also equally committed to promoting diversity and equal opportunities for employees throughout the Company.

In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to those described above, in order to maintain an appropriate range and balance of skills, experience and background on the Board.

In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.



The role and structure of the Board

As at the date of this Report, the Board consists of eight Directors, the Chairman, Chief Executive Officer, Chief Financial Officer and five Non-Executive Directors. Biographies of all the Board members appear on pages 50 and 51 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 and 65 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
- Approval of communications with shareholders including approval of the Interim Statement, Annual Report Accounts and other major public announcements

A copy of the schedule of matters reserved for the Board is available 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 programme 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. He is 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 60.

The Directors receive appropriate briefing papers on substantive items, circulated prior to each Board meeting to give them 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, health and safety, sustainability matters, finance and funding, 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

Programmes 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 programmes are provided and the Company Secretary is tasked with organising such programmes. 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. Other presentations on topical matters have been presented to the Board by their advisers at various Board meetings during the year.

Board visit to Sierra Leone

In April 2013, the Board visited Sierra Leone. The visit provided an opportunity for the Board to meet the local management in both formal and informal settings and to gain greater insight into the Company's operations and plans in Sierra Leone. The Board received presentations from local management, toured the Marampa mine, visited the local communities and London Mining sponsored community initiatives in Lunsar. The two-day trip (including the on-site Board meeting), also allowed the Board to assess first-hand the risks relating to the execution of the Company's current activities and its future strategy.

Strategy Board

In September 2013, the entire Board met in London for a full day strategy meeting offsite. During the session, the Board reviewed current strategy, implementation of the strategy and set strategy for the coming year. In particular, the Board discussed progressing and expanding the Marampa project, strategic options relating to the Company's Isua and Wadi Sawawin project that crystallised value for shareholders, cost cutting plans in response to the outlook for iron ore pricing and funding plans. The Board also discussed positioning the Company's strategy to leverage its growing reputation as a responsible producer of iron ore in West Africa and one of the few new producers of iron ore globally while responding to the current challenges facing the bulk commodities industry as a whole.

Strategy and governance
The Board continues to focus on exanding and improving the Marampa project and the Board's agenda prioritises strategic opportunities to facilitate time for discussion of these key matters

Risk appetite
The Board is accountable for ensuring that risk is effectively managed across the Group. The Board has focused on formulating and refining the Group's risk appetite statement to ensure that strategic proposals brought to the Board are debated within the context of the Company's risk appetite

Succession planning and talent management
The Board recognises the importance of developing talent throughout the organisation and supports the development of individuals

Stakeholder review
The Board recognises the importance of understanding the views of all key stakeholders and regularly dedicates time to focus on particular stakeholder groups. This year the Board specifically considered:

- shareholders
- customers
- employees
- communities
- government bodies
- regulators

Board advice

All Directors have access to the advice and services of the General Counsel 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 performance evaluation

In December 2013, the Company Secretary conducted 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 structure and composition of the Board as a whole, satisfaction with the objectives and strategic aims of the Group, management of risk, communication with shareholders, oversight of management and effectiveness of the Board committees. The results of the evaluation were collated in a form which did not identify individual comments (so as to ensure candid feedback). The collated feedback was reviewed by the Chairman and the Company Secretary and the feedback was then relayed by the Chairman to the Board. The main conclusions from the evaluation were that the Board operated as an effective body which provided strong entrepreneurial leadership and set strategy and assessed risk that was regularly reviewed.

Board evaluation focus	**Committee evaluation focus**
• Establishment and role	• Roles and responsibilities
• Compensation, appointments, skills, experience and training	• Composition, appointments, skills, experience and training
• Attendance at meetings, contribution and internal relationships	• Attendance, contribution and internal relationships
• Leadership	• Leadership
• Strategic aims and objectives	• Procedures and internal controls
• Risk management	
• Procedures and internal controls	
• Communication with shareholders and other stakeholders	
Discussion with the Company Secretary Each Director specifically provided his evaluation feedback to the Company Secretary for purposes of discussing individual performance and future development needs.	**Assessment for the committees** Evaluation results were used to produce a performance report for discussion and debate, in order to agree work plans and actions for 2014.
Assessment for the Board Board evaluation results were used to produce a performance report for presentation to the Board, for purposes of discussion and debate, in order to agree work plans and actions for 2014.	**Key performance targets and actions for 2014** • Assessment of terms of reference, effectiveness of members' skills, experience and qualifications. • Work plans and actions for 2014 individually set by each Committee.
Key performance targets and actions for 2014	
• Development of succession planning	• Further expansion and development of Marampa
• Further enhancement of risk management procedures	• Review of governance and remuneration policy
• Progression of strategic goals	• Further training

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. Graeme Hossie and Benjamin Lee will retire by rotation at the forthcoming AGM on 15 May 2013 and, being eligible, offer themselves for re-election. Luciano Ramos will be retiring from the Board within one month of 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 Executive Leadership Team are available on the Company's website, www.londonmining.com. Other than the Chairman and Luciano Ramos, 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
Michael Miles (Chair)	Alan Ferguson (Chair)	Sir Nicholas Bonsor (Chair)	Michael Miles (Chair)	Colin Harris (Chair)	Graeme Hossie
Sir Nicholas Bonsor	Malcolm Groat	Colin Harris	Sir Nicholas Bonsor	Malcolm Groat	Benjamin Lee
Alan Ferguson	Sir Nicholas Bonsor	Alan Ferguson	Malcolm Groat	Graeme Hossie	Jim North
Colin Harris	Colin Harris		Colin Harris	Jim North	Rohit Bhoothalingam
Malcolm Groat			Graeme Hossie		Thomas Credland
Luciano Ramos			Alan Ferguson		Rosh Bardien
Graeme Hossie					Claude Perras
Benjamin Lee					

Attendance at meetings of the Board and Board committees in 2013

	Scheduled Board (9 Meetings)	Audit Committee (4 Meetings)	Remuneration Committee (9 Meetings)	Nomination Committee (2 meetings)	Sustainability Committee (3 meetings)
Executive Directors					
Graeme Hossie	9/9	[1]	–	–	2/3
Benjamin Lee	9/9	–	–	–	–
Non-Executive Directors					
Michael Miles	9/9	–	–	–	–
Sir Nicholas Bonsor	9/9	4/4	9/9	2/2	–
Alan Ferguson[2]	6/9	3/4	3/9	1/2	–
Malcolm Groat	9/9	4/4	8/9	2/2	3/3
Colin Harris	9/9	4/4	9/9	2/2	3/3
Luciano Ramos	9/9	–	–	–	–

[1] Attended some meetings by invite.
[2] Appointed in March 2013.

There were 9 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.

During the year our activities were mainly focused on the integrity of the financial statements, risk management and internal control, going concern, and the effectiveness of external audit.

Audit Committee report

In accordance with the Corporate Code (the code) the significant issues considered during the year are detailed later in the Report.

The Committee is satisfied, following a review, that the external auditor is effective, objective and independent. The Group is in compliance with the current recommendations of the UK Corporate Governance Code around audit tendering, having had a formal tender in 2008.

Looking forward, in addition to our routine activities, there are three key areas of focus for the Committee for 2014. Firstly, to monitor the effectiveness of internal control as the Company's operations continue to expand and mature. Secondly, to monitor the internal audit resource and activity as it migrates from more of an advisory role to more of an independent review role, ensuring that it is appropriate in context of the Group's size, financial position and risk profile. Thirdly, the Committee will agree with the external auditors an appropriate partner rotation plan as the current partner will be required to rotate off after the signing of the 2014 accounts. In addition, the Committee will continue to review its activities in light of any regulatory developments.

Membership:
The Audit Committee is chaired by Alan Ferguson (appointed May 2013) who has recent relevant financial experience as required by the Code. Other members of the Committee are Sir Nicholas Bonsor, Colin Harris and Malcolm Groat.

The Committee members have a wide range of financial and commercial expertise which the Board considers appropriate to fulfil the committee's duties. Biographies of the Committee members are set out on page 50 to 51.

Primary responsibilities:
The primary responsibilities of the Audit Committee are:

- To ensure the integrity of the Company's financial statements and regulatory announcements relating to its financial performance and the review of any significant financial reporting judgements which they may contain;
- To review and challenge the consistency of any changes to accounting policies;
- To review and challenge the going concern assumption and capital adequacy;
- The appointment, remuneration, qualifications, independence and performance of the external auditor and the scope and effectiveness of the audit process
- To keep under review the effectiveness of the Company's internal controls and risk management systems;
- To consider the need for and manage the effectiveness of the Company's approach to internal audit;
- To assess the Company's arrangements for whistle-blowing and detecting fraud

The Committee's terms of reference can be found at www.londonmining.com/investors/corporate-governance

Committee meetings:
Under its term of reference, the Audit Committee is required to meet at least three times a year or more frequently as circumstances require. Meetings are attended by members of the Committee and, by invitation, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller and the Special Projects Manager. Other relevant personal are invited to attend certain meetings as required. The Company's auditors, Deloitte LLP, also attend by invitation.

The Committee met four times during the year and attendance at those meetings is shown below:

Name	Attendance
Alan Ferguson[1]	3/4
Sir Nicholas Bonsor	4/4
Colin Harris	4/4
Malcolm Groat	4/4

[1] Appointed in March 2013.

In addition there was an Audit Committee meeting on 28 February 2014 which was attended by all members.

Main activities covered during the meetings:
The Committee's activities focused on:

a) Financial reporting
The Audit Committee assists the Board in assuring the integrity of the financial statements. Following discussion with both management and the external auditor, the Committee determined the key risks and judgement areas for consideration during the year were:

Assessment of the validity of the going concern assumption and Group liquidity
The Committee reviewed financial forecasts provided by management, including sensitivity analysis to assess downside risk and its reasonably possible impact on committed liquidity. This included an assessment of financial covenants and requirements under debt facilities as well as the mitigating actions available. In addition, as a key source of audit focus, the Committee reviewed detailed reporting from the external auditor.

The Committee concluded, taking account of reasonable possible changes in trading performance and project commissioning and possible mitigating actions, that the Group has sufficient committed liquidity to fund its committed expenditure.

Carrying value and impairment of assets:
As disclosed in note 15 to the financial statements, the total carrying value of intangible assets was USD 95.7 million. Included in this amount the Group has two development projects in Greenland (USD 66.8 million) and Saudi Arabia (USD 26.1 million). A full impairment review was carried out on both development projects. Management assessed the carrying value of each project by comparing the estimated recoverable amount to its carrying value based on the most up to date business forecasts and using discount rates which reflected appropriate risk specific to the assets. Management disclosed to the Committee the assumptions used and also the sensitivity of valuation to key assumptions. The Committee reviewed and interrogated management's assumptions and determined the recoverable amount was appropriate. The external auditor explained their audit procedures and reported to the Committee that they considered the carrying value of assets was materially appropriate.

Physical quantities of finished product inventory and net realisable value
Regular surveys are completed to determine the quantity of finished product inventory and these are reconciled to quantified production, sales and expected inventory. The accuracy of this process is subject to a number of variables including density and moisture assumptions, the extent of stock build up and the accuracy of plant and fleet weightometers. In the last quarter of 2013, following significant depletion of the stockpile, management undertook a comprehensive reconciliation process which resulted in a downward adjustment to finished product inventory. The carrying value of inventory as at 31 December 2013 is disclosed in note 18 to the financial statements.

Management reported to the Committee the estimation uncertainties in the measurement process, the results of the reconciliation performed and planned actions to more accurately quantify finished product inventory in future including upgrading of weight and moisture monitoring capability at the plant, installation of a truck weighbridge and recalibration of stockpile survey assumptions.

The Committee reviewed the procedures undertaken by management and was satisfied that the position at year end was correct, and that management's proposed actions to improve the controls over product inventory quantities are sufficient. The external auditor explained their audit process and, on the basis of their audit work, reported no material misstatements.

The quality and acceptability of accounting policies and practices:
The Committee receives reports from management outlining key accounting policies and practices. These are reviewed and discussed with Deloitte LLP to confirm they are appropriate. There were no major changes of accounting policies in the year.

Material areas in which significant judgements have been applied
These included:

- Accounting for the fair value of future royalty payments: to fair value royalty payments management has made assumptions over the expected production profile, grade, market price and discount rate.
- The estimation for restoration and rehabilitation costs: calculating restoration costs is subjective and is likely to be impacted by future regulatory obligations, technological developments and the future cost of engineers and labour. Determining the timing of future cash flows and life of the mine (when most costs would be expected to occur) and an appropriate discount rate also significantly impacts the provision required.
- Valuation of share-based payments: to value share options the Group has made judgements as to the volatility of its shares, the probable life of the options and the time of exercise.

See page 89 to the financial statements for more information.

The Committee has reviewed the assumptions presented by management and the work performed by the external auditor and has in each case concluded estimates were appropriate.

b) Internal control and risk management
The Committee is responsible for the oversight of internal control and risk management systems across the Group. It is supported in this by the Special Projects Manager who leads internal audit, internal control and risk management activities, but also has some other responsibilities and therefore is not wholly independent. Over time the balance is moving to a much greater proportion of independent work and during 2014 additional resource will be allocated to this area. In carrying out its role, the Committee reviews the following:

- Regular updates of key internal control matters in respect of the Group financial reporting processes, such as financial reporting systems and controls
- Procedures developed by management to identify and evaluate key business, financial and operational risks, and the effectiveness of the responses being implemented to mitigate the potential impacts

- Policies and procedures in place to detect, monitor and investigate activity in respect of anti-fraud, bribery and corruption, such as the Group whistle-blowing facilities
- The results of internal audits completed which have included the following areas during 2013; product inventories, consumable inventories, contracts management, anti-fraud, bribery and corruption investigations, procurement and payroll
- The development of the internal audit function.

Further details of the Group risk management processes are set out in the following section.

c) External audit
The Committee considers the effectiveness of the external audit process, the reappointment of the external auditor and also assesses their independence on an ongoing basis. Deloitte LLP has been the Company's external auditor since 2008 when the audit was last subject to a formal tender process. The current lead audit partner has been in place for four years and will rotate off after the financial year ended 2014. The Committee reviewed the annual Audit Plan and was satisfied that the scope was adequate and sufficient.

During the year the Committee conducted an assessment of the external auditors performance by seeking feedback from the Committee and management on the effectiveness of the audit process. This process underpins its recommendation to reappoint Deloitte LLP as auditors until the conclusion of the AGM in 2015. Resolutions to authorise the Board to reappoint the auditors and to determine their remuneration for the year ending 31 December 2014 will be proposed at the AGM on 15 May 2014.

To safeguard the objectivity and independence of the external audit process, the Committee adopted a formal policy in 2013 governing the provision of non-audit services. This prohibits Deloitte LLP from providing certain services such as accounting or valuation services. The Committee has pre-approved that Deloitte LLP can be engaged by management subject to a specified fee limit of USD 50,000, above which any services must be approved by the Chairman of the Audit Committee.

Non-audit fees for the year ended 2013 totalled USD 68,000 (as set out in note 7 to the financial statements) and these were mainly for tax compliance. Total audit fees were USD 344,000. The Audit Committee has considered the balance between fees for audit and non-audit work performed for the Group in 2013 and concluded that the nature and extent of non-audit fees do not present a threat to the external auditor's objectivity or independence.

Alan Ferguson
Chairman of the Audit Committee

Risk management
Responsibility for establishing and maintaining adequate internal controls and risk management systems is set out in the framework below:

a) Risk identification and evaluation
We continued to embed our risk management policies and procedures during 2013. This included identifying and validating significant risks across the Group, evaluating their likelihood and severity, considering existing controls and developing action plans owned by the applicable departments in each location to manage or mitigate risks identified to acceptable levels.

The Group framework 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 head 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 regularly reviewed.
- **Designing and implementing responses:** For all risks identified, controls and mitigating actions are identified and the resulting 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:** Management at the appropriate level provides and reviews regular reporting on the material risks across the Group, actions to address, and progress made to date. This includes a summary risk map which is reviewed by the Audit Committee and Board every six months.

Details of the Group's principal risks and uncertainties are set out in the Strategic Report on pages 42 to 47.

b) 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.

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

The Board also receives assurance from the Audit Committee which considers all matters reported to it by internal and external audit. The Board are updated on key matters discussed at the Audit Committee, including those set out in the Audit Committee report. Other than the item related to physical quantities of product inventory noted in the Audit Committee report, the Board has not identified nor been advised of any control failings or weaknesses which it has determined to be significant.

The system of internal control continues to develop, and projects are in progress to further strengthen the control environment in 2014. However, we believe that the Group complies with the revised guidance for Directors regarding internal control, following a full year of operation of the risk group management framework noted above.

Anti-fraud, bribery and corruption framework

The Group's Anti-fraud, Bribery and Corruption (AB&C) policies, which include the Group code of conduct and whistle-blowing policies, continue to be refined in order to ensure they are tailored to the risks specific to London Mining operations. They include sufficient monitoring procedures to capture information on AB&C risks across the Group. Reports on associated AB&C policy, risk and control developments are presented to the Audit Committee on a quarterly basis. The Board has a standing agenda item at every Board meeting to discuss AB&C matters, including investigations and actions taken in this regard.

Training continues to be given to all employees through workshops and online tools. This training has been completed by all of our employees in the past six months. Specific training activity discussing AB&C risks, Group policies and monitoring requirements is 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 London.

Whistle-blowing

A formal whistle-blowing policy enables employees to raise concerns they may have about workplace fraud or mismanagement on a confidential basis. Safecall Limited provides a confidential hotline and email service through which employees can report their concerns. A response framework exists in order to ensure an independent and comprehensive investigation of all matters of concern, and the Audit Committee is provided with reporting 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 posters on site at each location and during inductions and training sessions.

Sustainability Committee

Although ultimate responsibility for Health, Safety and Environment matters remains with the Board, the Sustainability Committee was established to focus on health, safety, environmental and community relations matters. The Sustainability Committee assists the Board in obtaining assurance that appropriate management plans, mitigation measures and systems are in place to manage safety, health, social and environmental risks. In addition, the Sustainability Committee advises the Board on the implementation of the communication and engagement plan with key internal and external stakeholders including communities. Under its terms of reference, the Committee meets at least twice a year. The members of the Sustainability Committee are Colin Harris (Chairman of the Committee), Malcolm Groat, Graeme Hossie and Jim North. The Head of Sustainability attends each meeting of the Committee.

Details of the Company's sustainability initiatives and work throughout 2013 can be found on pages 28 to 34.

Nomination Committee

The members of the Nomination Committee are Michael Miles (Committee Chairman), Sir Nicholas Bonsor, Malcolm Groat, Colin Harris and Alan Ferguson.

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 making 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 Committee also oversees the conduct of the annual review of Board effectiveness. This process is described in the section on Board performance evaluation on page 59.

The mandate also recognises the importance of considering a diverse range of candidates to augment the Board's diversity policy. The Committee met twice during the year to discuss succession planning and new appointments.

Remuneration Committee

The members of the Remuneration Committee are Sir Nicholas Bonsor (Chairman of the Committee), Alan Ferguson, Malcolm Groat and Colin Harris.

Under its terms of reference, the Remuneration Committee is required to meet at least twice a year or more frequently as circumstances require. In 2013 the Remuneration Committee met nine times, primarily to set key performance targets for Executive Directors, assess executive remuneration against targets, and ensure that remuneration standards at the Company were in line with best practice and guidance. The Committee sought the advice of KPMG LLP to provide guidance on market practice, and best practice in connection with share incentive plans to position the senior team with respect to their peers and make recommendations based on their analysis. Details of the committee's activities are contained in the Directors' Remuneration Report set out on pages 68 to78. The Remuneration Committee reports on its activities to the Board meeting immediately following the committee's meetings.

Executive Leadership Team

London Mining established an Executive Leadership Team during 2011 which focuses on monitoring the Company's business, implementing agreed strategy, reviewing and assessing Group risk, reviewing investments, reviewing 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 General Counsel, the Head of Investor Relations, the Head of Sustainability and the Head of Human Resources.

The Executive Leadership Team meets on a bimonthly basis. 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. 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 regarding 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.co.uk

UK Corporate Governance Code compliance

As an AIM-listed company, London Mining is not required to follow the Code however the Board has chosen to apply the Code in so far as it is appropriate and practicable for a company of London Mining's size and development.

Compliance with the UK Corporate Governance Code

For the year ended 31 December 2013, the Board believes that the Company has complied with the principles and provisions of the UK Corporate Governance Code. A full version of the UK Corporate Governance Code can be found on the Financial Reporting Council's website: www.frc.org.uk

A. Leadership

A1 The Board's role:
The Board meets formally on a regular basis in order to review the Company's performance and strategy against set objectives. There is a clear schedule of matters reserved for the Board as further described on page 57.

A2 A clear division of responsibilities:
The Company has both a Chairman, who is responsible for the leadership and effectiveness of the Board and a Group Chief Executive who is responsible for leading the day-to-day management of the Company within the strategy set by the Board.

A3 Role of the Chairman:
The Chairman sets the agendas for meetings, manages the meeting timetable and facilitates open and constructive dialogue during the meetings.

A4 Role of the Non-Executive Directors:
The Chairman promotes an open and constructive environment in the boardroom and actively invites the Non-Executive Directors' views. Regular meetings are held between the Non-Executive Directors in the absence of the Executive Directors, providing an opportunity for any concerns to be discussed.

B. Effectiveness

B1 The Board's composition:
The composition of the Board is reviewed regularly by the Nomination Committee to ensure that there is an appropriate mix of skills on the Board and a range of diverse experience. A number of changes were made to the Board over 2013.

B2 Board appointments:
The appointment of new Directors to the Board is led by the Nomination Committee. Further details of the appointments undertaken during the year and succession planning can be found on page 65.

B3 Time commitments:
The time commitments of Non-Executive Directors are defined on appointment and regularly evaluated. In practice, the time commitments go beyond those set out in the letters of appointment. The Chairman gives consideration to new directorships which may impact existing time commitments.

B4 Training and development:
An induction is given to new Directors. The Chairman reviews each of the Non-Executive Director's training needs and programmes are in place to meet these needs.

B5 Provision of information and support:
The Chairman, in conjunction with the Company Secretary, ensures that all Board members receive accurate and timely information.

B6 Board and Committee performance evaluation:
A Board performance evaluation was undertaken during 2013 as further described on page 59.

B7 Re-election of the Directors:
All Directors are subject to shareholder re-election at least once every three years.

C. Accountability

C1 Financial and business reporting:
The Directors' Report can be located on pages 79 to 80, and this sets out the performance of the Company, the business model, strategy and the risks and uncertainties relating to the Company's future prospects.

C2 Risk management and internal control systems:
The Board sets the Company's risk appetite and annually reviews the effectiveness of the Company's risk management and internal control systems. The activities of the Audit Committee, which assists the Board with its responsibilities in relation to risk setting and management, are set out on pages 61 to 64.

C3 Role and responsibilities of the Audit Committee:
The Board has delegated a number of responsibilities to the Audit Committee which undertakes the day-to-day oversight of the risk management framework on behalf of the Board. The Chairman of the Audit Committee provides regular reports to the Board.

D. Remuneration

D1 Levels and elements of remuneration:
The levels of remuneration of directors and how the Company promotes an alignment of interests between directors and shareholders by linking reward to performance are explained in the Directors' Remuneration Report on pages 68 to 78.

D2 Development of remuneration policy and packages:
The activities of the Remuneration Committee and the way in which it sets executive remuneration policy are set out in the Directors' Remuneration Report on page 68 to 78.

E. Relations with shareholders

E1 Shareholder engagement and dialogue:
The Board and its committees actively engage with shareholders and other stakeholders and consider all feedback provided to them.

E2 Constructive use of the AGM:
The Board values the AGM as an important opportunity to engage with investors. Attendees at the AGM have the opportunity to ask questions to the Board and to speak to individual Directors following the formal business of the meeting.

Directors' remuneration report

The Company's remuneration policy ensures that a pay-for-performance culture is well understood within the organisation. Key performance targets for senior management, strongly aligned to the strategic objectives of the company, are rigorously assessed.

Dear shareholder

It is with pleasure that I introduce the Directors' Remuneration Report for the year ended 31 December 2013. This Report has been prepared by the Remuneration Committee and approved by the Board.

As London Mining has developed to becoming a producer of iron ore, its approach to remuneration has evolved to support this evolution. The Remuneration Committee focuses on the fundamental aim of recruiting, retaining, incentivising and motivating 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.

Remuneration policy

As the Company has progressed to being a producer of iron ore, more empirical measures of performance for key management have been used to clearly demonstrate the alignment of remuneration with on-going strategic corporate objectives and with enhanced shareholder expectations for accountability and disclosure as set out on page 72 and 73 of this Report. The Committee recognises that as there is a competitive market for successful executives with the right experience to deliver value to our shareholders, that both the provision of appropriate rewards for superior performance is important for the continued growth of the business and that variable remuneration should be linked to company performance against key objectives. The Company adopted a new remuneration policy in 2012 and ensured that remuneration and reward of executives in 2013 was in-line with this policy. This has ensured that a pay-for-performance culture is well understood within the organisation and key performance indicators for senior management set in 2013 have been linked to the strategic objectives of the Company. The Committee actively engaged with shareholders prior to adopting the new remuneration policy and continues to consult regularly on broader remuneration matters.

2013 performance

2013 was the Company's second full year of production at Marampa. It was also a further year of ramp-up and delivery of additional production capacity, as well as one requiring significant corporate activity to finance growth, refinance debt, reduce overhead and operating costs significantly, and maintain and extend funder support against a very negative background of sentiment for iron ore and mining companies. Against very demanding operational challenges it was extremely disappointing to report reduced Q4 production volumes. Management has driven the Company to substantial and significant performance increases including production growth (108%), decreasing overheads (-36%) and costs per tonne (-21%), increasing EBITDA by USD 68.3 million. Management has delivered its key objective of funding and installing a 35% increase in production capacity which will drive economies of scale and increase cash flows. In addition, safety performance improved far beyond targets to now be on a footing with some of the best performers in the industry. This was achieved despite the Company operating in a relatively new mining environment with a relatively inexperienced workforce. Further value optimisation potential was determined in a Life of Mine feasibility study which also produced plans for a 40 year mine life extension and further low capital cost production capacity growth. We were pleased that these plans were backed by bondholders and banks through a refinancing during the year. The Company's brand and reputation is becoming increasingly recognised by iron ore producers and traders, banks, international financial institutions and, government development agencies as being a first class operator with leading edge practices in sustainability and strong governance.

Against this backdrop and having considered the KPI's for each of the Executive Directors and the Chief Operating Officer, the Remuneration Committee have agreed bonus awards for the year of between 47.5% and 72.5% of salary. All senior management have had their base salaries frozen for a second year in a row (at 2012 levels).

Given the extended commissioning of the plant upgrade completed in Q4 2013, the Committee have decided (with agreement from management) to defer payment of 2013 bonuses to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer until the plant is fully commissioned and achieving its targeted production rate.

Future developments in 2014

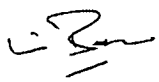
During 2014, the Committee engaged KPMG LLP (who had previously advised on the Company's new remuneration policy in 2012)), as an independent advisor, as an independent adviser, to advise on best practice in relation to the Company's share incentive plans and other key remuneration developments. The Committee considered KPMG's advice and agreed the following in order to further align the Company's remuneration with best practice:

- To amend the clause relating to change of control payments to Executive Directors for loss of office in response to specific shareholder feedback. The Executive Directors have agreed to amend their contracts, effective at the 2014 AGM, so that the loss of office payments in the event of a change of control is reduced from 36 months' service to 12 months' service. This is in line with market practice for premium listed companies;
- To adopt the principles/framework of a new all employee SAYE share incentive plan, the details of which are to be developed over 2014. The Committee believes the adoption of this plan will aid retention of mid-level and junior employees and provide a sense of ownership and focus on the overall performance of the Company;
  To amend the existing share incentive plans to introduce a "malus" provision that allows the Committee to recover all or a part of a bonus not paid or an award not yet exercised in circumstances where there has been misconduct or a material misstatement of the accounts;
- To introduce a policy this year that requires Executive Directors to hold a minimum amount of the Company's shares; and
- To amend the existing share incentive plans to allow the Committee to exercise its discretion as to (a) when an employee is a "good leaver" and (b) the extent to which awards may vest on a change of control.

Annual General Meeting

As usual the shareholders will be asked to vote on the Directors' Remuneration Report at the AGM in May 2014 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
5 March 2014

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 76 to 77.

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 (until 21 March 2013)
Malcolm Groat
Colin Harris
Graham Mascall (until 21 March 2013)
Alan Ferguson (from 22 July 2013)

The Chief Executive Officer and the Head of 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. 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
- review the on-going appropriateness and relevance of the remuneration policy
- 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
- determine, within the terms of the agreed policy, 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
- establish the selection criteria, select, appoint and set the terms of reference for remuneration consultants who advise the Committee

The Committee met nine times during the year and its principal activities were to:

- approve the payment of 2012 bonuses by reviewing performance against KPI targets set
- benchmark salary increases for 2013 for UK employees below executive Committee level (salaries at executive Committee level and above were frozen)
- consider the KPI targets for 2013 bonuses
- consider and approve 2013 LTIP awards, share option awards and deferred share awards to senior executives and other employees
- consider the corporate metrics for vesting of LTIP awards including TSR, production and cost targets
- consider the comparator peer group for measuring TSR for vesting of LTIP awards
- consider the Company's headroom limits for share options
- consider new best practice guidelines and regulations in the area of remuneration and the Group's response;
- consider future plans for pensions across the Group
- consider shareholder feedback
- consider Directors' shareholding guidelines

Components of Executive Directors' remuneration
The Company's executive remuneration policy for 2013 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, while 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 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
- support the retention, motivation and recruitment of talented people who are performance driven, commercially astute and creative

Engagement with shareholders
The Remuneration Committee is committed to an open and transparent dialogue with shareholders on the issue of executive remuneration. During the last comprehensive review of the remuneration framework in 2012, the Committee actively engaged with key shareholders. The views expressed in consultation were taken into account in shaping the remuneration framework. When reviewing the senior remuneration framework each year, the Committee continues to take into account the views and guidance expressed by shareholders. The Remuneration Committee Chairman is available to answer questions at the Annual General Meeting of the Company.

Advisers
During 2012, the Committee appointed KPMG LLP 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. During 2014, KPMG LLP was re-engaged to advise the Committee on best practice in relation to the Company's share incentive plans and other key remuneration developments. KPMG LLP provide other services to the Company including tax advice and the audit of the local statutory accounts of a subsidiary Group company in Sierra Leone.

1 January 2013 – 31 December 2013 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 taking into account 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 account of pay quantum and structure throughout the Group as well as relevant benchmark data.

For 2014, the Committee has frozen the base salaries for all Executive Directors and senior management of the Company for the second consecutive year (at 2012 levels). None of the Directors serving during the year received any remuneration for 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.

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, cost reduction targets, production targets, raising financing, compliance with policy and best practice, compliance with health, safety and environmental standards and developing community initiatives.

Deferred shares
At the Company's 2012 AGM, shareholders approved the Deferred Bonus Plan enabling the Remuneration Committee to approve the payment of bonuses in shares rather than cash.

Share incentives

LTIPs
The Committee undertakes annual grants under the Company's LTIP which contains provisions relating 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 forgone 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 at the Remuneration Committee's discretion and based on market practice of the Company's peer group, performance based on KPI targets and remuneration policy limits as recommended by KPMG. The Committee has taken independent advice from KPMG in relation to best practice regarding LTIP grants. Based on advice received, the Committee has set a maximum award of 200% of salary for the Chief Executive Officer and 150% of salary for the Chief Financial Officer and Chief Operating Officer. No LTIPs related to Executive Directors vested during 2013; and approximately 2.5 million share incentive awards lapsed in this period.

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.

Alignment of strategy, pay and performance

The Company's key strategic priorities aim to deliver sustainable returns to shareholders. Accordingly, those same strategic priorities determine the performance measures for both the short term and long term incentive plans.

For the year ended 31 December 2013, the key strategic priorities and performance measures across the Group were:

Key strategic priorities	Performance measures	
	Short term incentives	**Long term incentives**
Operational excellence	• Production and sales targets • Safety • Cost control • Quality	• TSR out-performance of peer group over three years • Delivery of key long term sustainable production target • Delivery of long term sustainable cost target
High performance culture and people	• Internal training and development • Sustainability measures communities, environment and government	
Financial performance	• Group overhead reduction • Cost per tonne targets • Operating cost target	
Strategic partnerships and funding	• Funding targets, including banks and offtake partners • Improved net pricing and/or finance offtakes	
Strong growth pipeline • Added production capacity • Viable growth options	• Capacity additions • Generating value from development options and studies	

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.

2013 remuneration

The Executive Director and Chief Operating Officer bonus range on variable remuneration is 50-150% of base salary and is based on performance against key metrics related to the performance and development of the business. These metrics are defined in the first quarter of the year with the Remuneration Committee in relation to the objectives and strategy of the business.

In the case of the Chief Executive Officer the metrics and scores for 2013 were as follows, with actual performance applied to target and stretch metrics in the balanced scorecard.

Measure	Target Score	Actual Score (nil, target, stretch)	Performance versus target
Safety	10	15 (stretch)	Target LTIFR improvement from 0.9 to 0.8, actual = 0.25
Production and Sales	25	0	Production target 3.6wmt, actual 3.4wmt (5.6% less, although up 108% yoy). Sales target 3.8wmt, actual 3.7wmt (2.6% less, although up 289% yoy)
Operating cost	20	0	Target USD 55.5/wmt, actual USD 57wmt (2.7% higher, reduced 21% yoy)
Cost control/budgets/ cost reduction	20	30 (stretch)	Total costs below budget, reduced corporate overheads by 36% (USD 6 million)
Funding/deliver 5.4Mwmt/a capacity build	10	10	Non-dilutive funding raised through bank and offtake arrangements to enable delivery of capital programme. Increased plant capacity to 5.4Mwmt/a delivered
Sustainability	5	7.5 (stretch)	Various measures, including community relations and social licence measurements
Greenland	5	5	Delivered exploitation licence in 2013
Shareholder	5	5	Various relating to activity and addressing shareholder feedback
	100	72.5	

A KPI score of 72.5 was achieved. The Chief Financial Officer and Chief Operating Officer had similar methodologies with greater weightings on financial/funding for the Chief Financial Officer and operating targets for the Chief Operating Officer. The scores achieved were 72.5 for the Chief Financial Officer and 47.5 for the Chief Operating Officer.

The Remuneration Committee has considered the scoring of the KPIs above and awarded a bonus on a strict calculation of the KPIs. The Committee considers that it reflects a fair and balanced representation of the Company's progress and achievements over the year. However, given the extended commissioning of the plant upgrade completed in Q4 2013, the Committee have decided (with agreement from management) to defer payment of 2013 bonuses to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer until the plant is fully commissioned and achieving its targeted production rate.

In March 2013, the Executive Directors' cash bonuses for 2012 performance were waived and the Executive Directors received their bonuses in shares, 50% of which were to vest if the share price of the Company remained at GBP 2.55 or higher for a period of one month prior to October 2014. On 24 March 2014, the share price of the company was GBP 0.67.

No LTIPs related to Executive Directors vested during 2013 and 2.5 million share incentive awards granted to employees across the Group (including Executive Directors) lapsed in this period. The LTIPs granted to the Executive Directors in 2013 were in accordance with the LTIP remuneration policy referred to on page 71. The performance measures and vesting conditions of these grants were detailed in our 2012 Annual Report and are summarised below:

2013 LTIP performance measures and vesting conditions

The 2013 LTIP grant performance measures were based on a combination of TSR (33%), production (34%) and cost targets (33%).

The companies 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	

Performance criteria for the 2013 LTIP awards are as set out below:

A. Production Target – 34% of the award will vest if the production target of a total 10.8 million wet metric tonnes (Mwmt) is reached during 2014 and 2015.

B. Cost Target – 33% of the award will vest on the achievement of Marampa project-related production costs equal to or less than USD 47m/DMT on average over the years 2014 and 2015.

C. TSR Performance Measure – 33% (TSR is measured over a three-year period from the date of grant of the LTIP award)

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

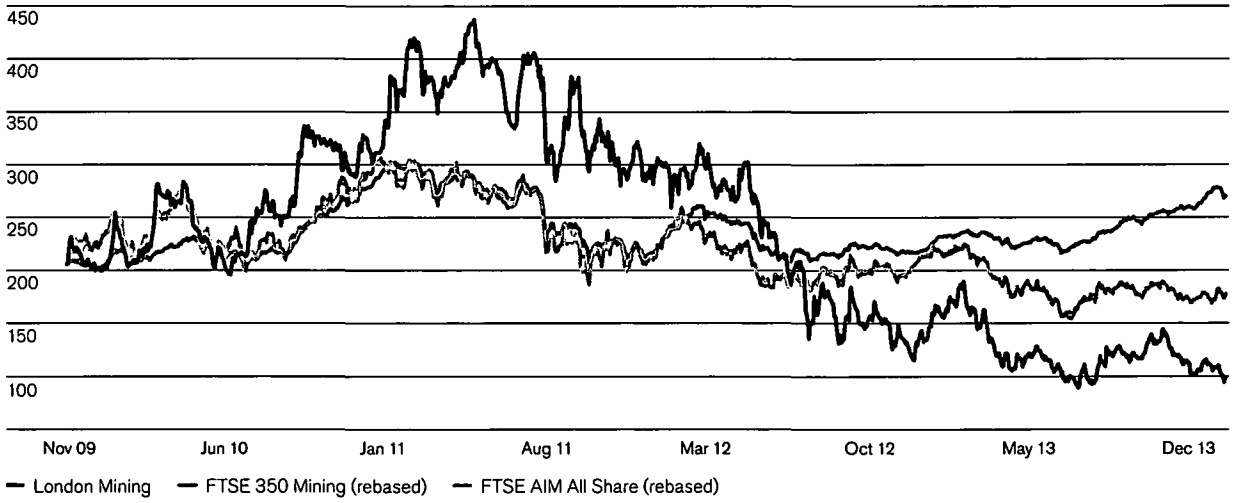
It is expected that vesting of LTIPs granted to Executive Directors and the Chief Operating Officer in 2014 will be measured on the same categories of performance measures (33% based on TSR, 33% based on average costs and 34% based on aggregate production).

Summary of performance-related elements of salary for 2013 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. Retention and incentivisation of key executives.	Awards will be at the Remuneration Committee's discretion and based on market practice of the Company's peer group. KPMG has recommended a maximum award of 200% of salary for the Chief Executive Officer and 150% of salary for other Executive Directors.	• 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.

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.

London Mining relative performance since AIM admission



Audited information
Directors' remuneration

The following table gives details of Directors' remuneration for the period 1 January to 31 December 2013:

a) Directors' remuneration

Directors' remuneration for the years ended 31 December 2013 and 31 December 2012 is as follows:

Name of Director	Fees/ basic salary USD'000	Cash bonuses USD'000	Other benefits[8] USD'000	Other USD'000	2013 Total USD'000	2012 Total USD'000
Executive						
Graeme Hossie	735	562[7]	7	–	1,304	985
Rachel Rhodes	444	–	25[9]	330[10]	799	733
Benjamin Lee	404	339[7]	4	–	747	528
Non-Executive						
Luciano Ramos[1]	107	–	1	–	108	950
Sir Nicholas Bonsor, Bt DL	141	–	1	–	142	494
Malcolm Groat	131	–	1	–	132	150
Dr Colin Knight[2]	57	–	1	–	58	194
Dr Graham Mascall[3]	41	–	1	–	42	344
Colin Harris	123	–	1	–	124	119
Dr Hans Kristian Schønwandt[4]	–	–	–	–	–	12
Michael Miles[5]	191	30	–	–	221	10
Alan Ferguson[6]	98	–	–	–	98	–
Aggregate emoluments	2,472	931	42	330	3,775	4,519

[1] Stepped down as COO as of 30 September 2012 and became a Non-Executive Director.
[2] Retired on 22 May 2013.
[3] Retired on 21 March 2013.
[4] Retired on 23 March 2012.
[5] From appointment as Non-Executive Director on 5 December 2012.
[6] Appointed on 21 March 2013.
[7] Given the extended commissioning of the plant upgrade completed in Q4 2013, the Committee have decided (with agreement from management) to defer payment of 2013 bonuses to the CEO, CFO and COO until the plant is fully commissioned and achieving its targeted production rate.
[8] Other benefits relating to payments for medical benefits and insurance unless otherwise stated.
[9] Includes payment for accrued holiday.
[10] Rachel Rhodes announced that she was stepping down from the Company on 7 November 2013 with effect from 31 December 2013. Rachel received her salary up until 31 December 2013 after which the unexpired period of her notice is to be paid in lieu in instalments. Included in this amount is a payment of GBP 100,000 (subject to certain conditions) on 6 November 2014 as compensation for loss of office. No bonus was payable in respect of 2013. All LTIPs and Deferred Shares which were unvested when her employment ceased on 31 December 2013 lapsed (approximately 800,000) and all vested LTIPs are to be exercised within 12 months from that date. Share options that were exercisable when her employment ceased on 31 December 2013 may be exercised within the six month period following that date.

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

Director	Share awards held at 1 January 2013	Share awards granted during the year	Share awards exercised during the year	Vesting date	Share awards held at 31 December 2013
Graeme Hossie	437,209	–	–	12 June 2015	437,209
	800,000	–	–	12 June 2015	800,000
	–	890,995	–	23 April 2016	890,995
Benjamin Lee	100,000	–	–	01 Apr 2012	100,000
	176,860	–	–	12 June 2015	176,860
	–	360,426	–	23 April 2016	360,426

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 2013 and 31 December 2012:

Name of Director	31 December 2012	Granted	Lapsed	Exercised	31 December 2013	Exercise price	Vesting date*	Expiry date
Executive								
Graeme Hossie	1,500,000	–	–	–	1,500,000	GBP 1.74	12 Jul 2007	11 Jul 2017
	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
Benjamin Lee#	38,333	–	–	–	38,333	GBP 1.31	1 Apr 2010	29 Jun 2019
	83,333	–	–	–	83,333	GBP 1.31	1 Apr 2011	29 Jun 2019
	83,334	–	–	–	83,334	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								
Malcolm Groat	100,000	–	–	–	100,000	GBP 1.74	12 Jul 2008	11 Jul 2017
Luciano Ramos	500,000	–	–	–	500,000	GBP 3.09	3 May 2009	3 May 2018
	500,000	–	–	–	500,000	GBP 3.44	15 May 2010	15 May 2018
	500,000	–	–	–	500,000	GBP 3.44	15 May 2011	15 May 2018
Total	5,305,000	–	–	–	5,305,000			

* 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 was subject to performance conditions which have now been satisfied.

The market price of Ordinary Shares on AIM at 31 December 2013 was GBP 1.125 and the range during the year was GBP 1.8529 to GBP 0.8675

d) Current holdings in the deferred awards by Executive Directors are as follows:

Director	Share awards held at 1 January 2013	Share awards granted during the year	Share awards exercised during the year	Vesting date	Share awards held at 31 December 2013
Graeme Hossie	167,441	–	–	12 June 2014	167,441
		155,924	–	23 Apr 2013	155,924
		155,924	–	Vests only subject to performance conditions*	
Benjamin Lee	86,046	–	–	12 June 2014	86,046
		84,100	–	23 Apr 2013	84,100
		84,100	–	Vests only subject to performance conditions*	84,100
Luciano Ramos**	120,930		–	12 June 2014	120,930
	300,000		–	21 June 2014	300,000

* Performance conditions: the award vests if the ordinary shares reach a share price target of GBP 2.55. If this is not achieved by 23 October 2014 the award lapses.

** Luciano Ramos received these awards during the period that he was an Executive Director.

Non-audited information

Directors' contracts

The Executive Directors have indefinite term contracts and the notice periods are set out below. The Company has always sought to follow the UK Corporate Governance Code and apply principles of best practice as far as practical. We also value consultation and dialogue with our shareholders. As part of this, and following specific feedback received, the contracts for the Executive Directors have been reviewed and it has been agreed that the clause relating to change of control will be amended, with effect from 15 May 2014, in order to conform to market practice. Termination payments in respect of loss of office in the event of a change of control will be based on 12 months' service, rather than 36 months' service as was previously the case. Such amendment to become effective at the date of the Annual General Meeting.

Dates of the service agreements are:

Name	Date of original agreement	Notice period
Graeme Hossie	24 May 2007	12 months
Benjamin Lee	1 April 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
Sir Nicholas Bonsor	2 November 2009	26 months
Malcolm Groat	2 November 2009	14 months
Colin Harris	12 May 2011	14 months
Luciano Ramos	1 October 2012	26 months
Michael Miles	5 December 2012	26 Months
Alan Ferguson	21 March 2013	26 months

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.

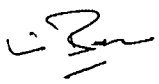
Future Developments on Remuneration in 2014

During 2014, the Committee met on four occasions and agreed the following in order to further align the Company's remuneration with best practice:

- To amend the clause relating to change of control payments to Executive Directors for loss of office in response to specific shareholder feedback. The Executive Directors have agreed to amend their contracts, effective at the 2014 AGM, so that the loss of office payments in the event of a change of control is reduced from 36 months' service to 12 months' service. This is in line with market practice for premium listed companies;
- To adopt the principles/framework of a new all-employee SAYE share incentive plan, the details of which are to be developed over 2014. The Committee believes the adoption of this plan will aid retention of mid-level and junior employees and provide a sense of ownership and focus on the overall performance of the Company;
  To amend the existing share incentive plans to introduce a "malus" provision that allows the Committee to recover all or a part of a bonus not paid or an award not yet exercised in circumstances where there has been misconduct or a material misstatement of the accounts;
- To introduce a policy this year that requires Executive Directors to hold a minimum amount of the Company's shares; and
- To amend the existing share incentive plans to allow the Committee to exercise its discretion as to (a) when an employee is a "good leaver" and (b) the extent to which awards may vest on a change of control.

In March 2014, the Remuneration Committee reviewed the performance of the Executive Directors and Chief Operating Officer during the year against the agreed annual bonus plan KPIs and, as a result, an award of between 47.5% and 72.5% of basic salary was approved as noted above. Given the extended commissioning of the plant upgrade completed in Q4 2013, the Committee have decided (with agreement from management) to defer payment of 2013 bonuses to the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer until the plant is fully commissioned and achieving its targeted production rate.

Signed on behalf of the Board of Directors



Sir Nicholas Bonsor
Chairman, Remuneration Committee

Directors' report

Results and dividends
The results for the year are set out in the consolidated income statement on page 88. 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 2013, together with details of share allotments and purchases of own shares during the year, are set out in note 24 to the financial statements.

Details of employee share schemes are set out on page 71.

Financial risk management
The Company's objectives and policies on financial risk management including information on the Company's exposures to market risk, including foreign currency, commodity price, interest rate, inflation rate and equity price risks, credit risk and liquidity risk can be found in note 28 to the financial statements.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 8 to 47. The financial position of the Group, its cash flows and liquidity position are described in the Financial Review on pages 38 to 41. In addition, note 28 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Going concern
The financial position, cash flows and liquidity position of the Group are set out in the Financial Review on pages 38 to 41.

Directors
Biographical details of the Directors currently serving on the Board and their dates of appointment are set out on pages 50 and 51.

The Directors who served throughout the year are as follows:

Executive Directors	Non-Executive Directors
Graeme Hossie	Michael Miles
Benjamin Lee	Sir Nicholas Bonsor
Rachel Rhodes[1]	Colin Harris
	Colin Knight[2]
	Luciano Ramos
	Malcolm Groat
	Alan Ferguson[3]
	Graham Mascall[4]

[1] Stepped down on 7 November 2013.
[2] Retired from the Board on 22 May 2013.
[3] Appointed to the Board on 21 March 2013.
[4] Retired from the Board on 21 March 2013.

Directors' interests
The Directors who held office at 31 December 2013 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
Luciano Ramos	1,259,667	0.91
Benjamin Lee	50,000	0.04
Sir Nicholas Bonsor	133,025	0.10
Michael Miles	88,173	0.06
Alan Ferguson	45,407	0.03
Colin Harris	5,000	0.004
Malcolm Groat	–	–

[1] Based on issued share capital at 6 March 2014.

Details of Directors' share options and benefits under the Long Term Incentive Plan (LTIP) are set out in the Directors' Remuneration Report on pages 68 and 78. No Director had any dealings in the shares of the Company between 31 December 2013 and 6 March 2014, 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.

Political contributions
The Group has made no political donations during the year and intends to continue its policy of not doing so for the foreseeable future.

Substantial shareholdings

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

TR-1 notified holdings – up to 17 March 2013

BlackRock Inc	18,051,179	13.04%
Pelham Capital Management	13,620,992	9.84%
Government of Singapore Investment Corporation Pte Ltd	12,813,569	9.26%
Standard Life Investments Ltd	12,616,676	9.11%
Henderson Global Investors Limited	7,947,028	5.73%
Norges Bank	7,100,000	5.13%
Schroders Plc	7,000,445	5.06%

TR-1 notified holdings – up to 31 December 2013

BlackRock Inc	17,955,548	12.97%
Pelham Capital Management	13,620,992	9.84%
Government of Singapore Investment Corporation Pte Ltd	12,813,569	9.26%
Standard Life Investments Ltd	12,616,676	9.11%
Henderson Global Investors Limited	7,947,028	5.73%
Norges Bank	7,100,000	5.13%

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 31 of the financial statements on page 115.

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.

For the year ended 31 December 2013

The Board confirms that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the company.

Approval

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

Rohit Bhoothalingam
Company Secretary
5 March 2014

Statement of Directors' responsibilities

For the year ended 31 December 2013

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.

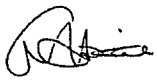
The board confirms that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the company.

Responsibility statement

We confirm that to the best of our knowledge:

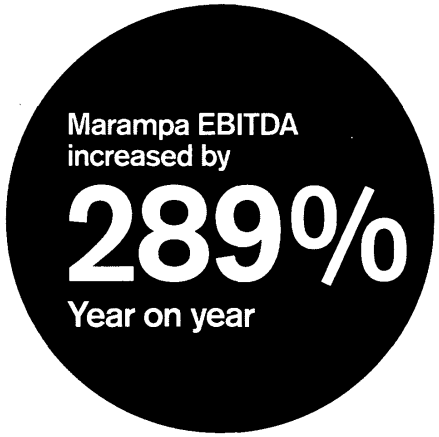
- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, 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
5 March 2014

Chief Financial Officer
Benjamin Lee
5 March 2014


Marampa EBITDA
increased by
289%
Year on year

Financial statements

Detailed financial statements for the year ended 31 December 2013

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

Opinion on financial statements of London Mining plc	In our opinion: • **the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2013 and of the Group's loss for the year then ended;** • **the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (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.** The financial statements 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 32, 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 4. The financial reporting framework that has been applied in their preparation is applicable law and 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.
Going concern	We have reviewed the directors' statement contained within the Directors' Report on page 79 that the Group is a going concern. We confirm that: • we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and • we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.
Our assessment of risks of material misstatement	The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
The validity of the adoption of the going concern basis Assessment of whether it is appropriate for the Group to adopt the going concern basis of accounting for its 2013 financial statements taking into account the Group's facility agreement which contains certain financial covenants and minimum liquidity tests which are sensitive to iron ore prices and changes in operational performance.	We reviewed the cash flow forecasts with particular emphasis on challenging the key assumptions by reference to third party documentation (for example analyst consensus pricing and loan agreements) where available and consultation with operational management. These assumptions included: production; pricing; operating and capital expenditures and financing cash flows across the period under review. Our work performed included the recalculation of forecast covenant and liquidity test compliance based on the expected future cash flows generated by the Group for the period under review and also a consideration of certain downside scenarios and the mitigating actions open to the Group if such scenarios arose.
Impairments Assessment of the recoverable amount of development projects, including specifically the Saudi Arabian and Greenland projects, as the assessment of the fair value of development projects is an area of significant judgment.	We challenged the Group's assessment as to whether indicators of impairment exist for assets, specifically, in relation to the Saudi Arabia and Greenland projects, and where such indicators were identified we obtained copies of the valuation models used to determine the value in use or fair value less costs to sell of the relevant asset. We evaluated the assumptions made by management in relation to these models, including the discount rate used, the commodity price, capital expenditure and operating cost forecasts and the expected production profiles, by reference to third party documentation where available and consultation with operational management. We assessed whether the assumptions had been determined and applied on a consistent basis across the Group and whether the key licences and other risks to project progression were appropriately reflected in the valuation.
The valuation of liabilities in respect of the BlackRock World Mining ("BlackRock") royalty Assessment of the fair value of the liability due to BlackRock, following its provision of USD 110 million of non-recourse funding in August 2012 in return for a 2% royalty on net revenues from all sales at Marampa over the life of the mine, as the model used to value the liability is highly sensitive to the impact of changes in the discount rate used, forecast forward iron ore prices, the asset production profile and the Sierra Leone tax rate.	We tested the principles and integrity of the model used to calculate the expected future cash outflows in respect of the BlackRock royalty arrangement which included comparison of the key assumptions to externally and internally derived data as well as our own assessments in relation to inputs such as the discount rate used, expected long term iron ore prices, future production profiles and applicable tax rates.

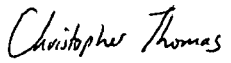
Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

The Audit Committee's consideration of these risks is set out on pages 61 to 64.

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

Risk	How the scope of our audit responded to the risk
Our application of materiality	We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work. We determined materiality for the group to be USD 5 million, which is approximately 0.8% of the Group's total non-current assets, and 2.9% of the Group's net assets. We agreed with the Audit Committee that we would report to the committee all audit differences in excess of USD 100,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements..
An overview of the scope of our audit	All subsidiaries within the Group were subject to a full scope audit. The audit team visits the principal location of the Group's most significant component, Sierra Leone, at least twice every year, and performs substantive testing on the results of that component locally. The remainder of our audit work is carried out from the Group's London headquarters.
Opinion on other matters prescribed by the Companies Act 2006	In our opinion, the information given in the Strategic Report and 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	
Adequacy of explanations received and accounting records	Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns. We have nothing to report in respect of these matters.
Directors' remuneration	Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made. We have nothing to report arising from these matters.
Our duty to read other information in the Annual Report	Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is: • materially inconsistent with the information in the audited financial statements; or • apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or • otherwise misleading. In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Risk	How the scope of our audit responded to the risk
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 to have a premium listing on the London Stock Exchange. 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 part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.
Respective responsibilities of Directors and auditor	As explained more fully in the Directors' Responsibilities Statement, 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. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews. 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.
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 and 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Christopher Thomas (Senior statutory auditor)
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
5 March 2014

Consolidated income statement

USD'000	Note	2013	2012
Revenue	5	**299,398**	120,560
Cost of sales		**(250,882)**	(112,539)
Gross profit		**48,516**	8,021
Administrative expenses		**(25,949)**	(35,181)
Profit/(loss) from operations		**22,567**	(27,160)
Finance income	9	**1,757**	969
Finance costs	10	**(42,015)**	(31,828)
Other gains and losses	21	**(1,501)**	–
Loss before taxation		**(19,192)**	(58,019)
Taxation	11	**(1,447)**	29,688
Loss for the year after taxation from continuing operations		**(20,639)**	(28,331)
Discontinued operations:			
Loss after tax from discontinued operations	12	**(4,320)**	(79,520)
Loss for the year attributable to owners of the Company		**(24,959)**	(107,851)
Basic and diluted loss per share (USD per share)			
From continuing operations	13	**(0.15)**	(0.21)
From discontinued operations	13	**(0.03)**	(0.59)
From continuing and discontinued operations		**(0.18)**	(0.80)

Consolidated statement of comprehensive income

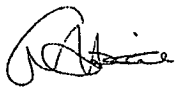
USD'000	Note	2013	2012
Loss for the year		**(24,959)**	(107,851)
Items that may subsequently be reclassified to the income statement			
Net loss on cash flow hedge	21	**(9,235)**	(3,560)
Net loss recognised directly in equity		**(34,194)**	(111,411)
Transferred to income statement: realised losses/(gains) included in revenue		**3,560**	(8,718)
Total transferred from equity		**3,560**	(8,718)
Total comprehensive loss for the year		**(30,634)**	(120,129)

Consolidated balance sheet

As at 31 December

USD'000	Note	2013	2012
Intangible assets	14	**95,609**	93,237
Property, plant and equipment	15	**496,978**	424,263
Deferred tax asset	16	**10,679**	10,351
Non-current receivables	18	**7,726**	200
Non-current inventories	17	**6,669**	3,056
Total non-current assets		**617,661**	531,107
Current inventories	17	**13,632**	23,666
Current receivables	18	**35,657**	29,768
Cash and cash equivalents		**46,929**	92,652
Assets classified as held for sale	12	**271**	6,419
Total current assets		**96,489**	152,505
Total assets		**714,150**	683,612
Trade and other payables	19	**(76,485)**	(71,450)
Other financial liabilities	21	**(20,654)**	(9,435)
Borrowings	22	**(6,663)**	(116,157)
Obligations under finance leases	20	**(931)**	(750)
Liabilities directly associated with assets held for sale	12	**(409)**	(2,640)
Total current liabilities		**(105,142)**	(200,432)
Borrowings	22	**(288,015)**	(131,014)
Obligations under finance leases	20	**(16,828)**	(17,760)
Other financial liabilities	21	**(126,216)**	(134,986)
Provisions	23	**(3,939)**	(3,882)
Total non-current liabilities		**(434,998)**	(287,642)
Total liabilities		**(540,140)**	(488,074)
Total net assets		**174,010**	195,538
Equity			
Share capital	24	**488**	488
Share premium account		**117,513**	117,513
Merger reserve		**12,000**	12,000
Shares held in employee benefit trust	24	**(3,313)**	(3,919)
Other reserves		**41,408**	38,406
Retained earnings		**5,914**	31,050
Equity attributable to equity holders of the parent		**174,010**	195,538

The financial statements of London Mining Plc (Company Number 05424040) were approved by the Board of Directors on 5 March 2014 and are signed on their behalf by:



Graeme Hossie
Chief Executive Officer

Benjamin Lee
Chief Financial Officer

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 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**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(24,959)**	**–**	**(5,675)**	**–**	**(30,634)**
Recognition of share-based payments	**–**	**–**	**–**	**606**	**(177)**	**8,677**	**–**	**–**	**9,106**
Balance at 31 December 2013	**488**	**117,513**	**12,000**	**(3,313)**	**5,914**	**27,551**	**(3,699)**	**17,556**	**174,010**

[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.

Consolidated cash flow statement

USD'000	Note	2013	2012
Loss from the year from continuing operations		**(20,639)**	(28,331)
Adjusted for			
Other gains and losses	21	**1,501**	–
Depreciation and amortisation		**31,499**	13,003
Finance income	9	**(1,757)**	(969)
Finance costs	10	**42,015**	31,828
Share-based payments expense	25	**8,113**	5,854
Tax expense/(credit)	11	**1,447**	(29,688)
Increase in receivables		**(15,993)**	(23,672)
Decrease/(increase) in inventories		**6,421**	(23,195)
Increase in payables		**12,990**	37,941
Taxes paid		**(1,760)**	–
Cash flows from operating activities – continuing operations		**63,837**	(17,229)
Cash flows from operating activities – discontinued operations	12	**(99)**	(13,565)
Cash flows from operating activities – total Group		**63,738**	(30,794)
Payments to acquire intangible assets		**(2,715)**	(9,937)
Purchase of property, plant and equipment		**(109,549)**	(167,911)
Net cash outflow from investing activities – continuing operations		**(112,264)**	(177,848)
Net cash outflow from investing activities – discontinued operations	12	**–**	(14,113)
Net cash outflow from investing activities – total Group		**(112,264)**	(191,961)
Interest received		**59**	336
Interest paid		**(30,073)**	(17,389)
Repayments of obligations under finance leases	20	**(4,978)**	(4,159)
Net proceeds from sale-and-leaseback transactions	20	**–**	18,352
Net cash inflow on share capital issued		**–**	87,103
Net cash inflow on share capital issued on exercise of options	25	**–**	1,192
Repayment of other financial liabilities		**(5,061)**	–
Net (repayment)/proceeds from offtake financing		**(55,000)**	53,350
Net proceeds from debt restructuring	22	**97,974**	–
Consideration for future royalty payments	21	**–**	108,930
Net cash inflow from financing activities – continuing operations		**2,921**	247,715
Net cash inflow from financing activities – discontinued operations	12	**–**	41
Net cash inflow from financing activities – total Group		**2,921**	247,756
Net (decrease)/increase in cash and cash equivalents		**(45,605)**	25,001
Cash and cash equivalents at beginning of year		**92,794**	67,832
Exchange differences		**11**	(39)
Cash and cash equivalents at end of year		**47,200**	92,794
Included within assets held for sale		**271**	142
Group cash and cash equivalents		**46,929**	92,652

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 6 and in the strategic report on pages 8 to 47.

Going concern

At 31 December 2013, the Group had cash on hand of USD 47.2 million and undrawn committed facilities available of USD 17.0 million.

On 28 November 2013, a revised corporate debt facility of USD 200 million was finalised, which was drawn down in full on 30 December 2013. The revised facility has a tenor of five years, ending in March 2019, with first repayment due in June 2016. The facility agreement contains certain financial covenants and minimum liquidity tests which are sensitive to market prices and changes in operational performance, in particular in respect of the ongoing commissioning and ramp up of operations. All covenants and liquidity tests are forecast to be met.

We expect to have sufficient cash resources to complete the expansion of Marampa to 6.5wmt pa and to complete the Life of Mine expansion to 40 years 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 and all other options 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 the Group has sufficient liquidity to fund its committed expenditure. In the event of certain adverse pricing or ramp up scenarios, management has within its control the option of deferring uncommitted capital expenditure (which may impact future commissioning dates) to maintain the Group's funding position. The Directors are therefore satisfied the Group will continue in operational existence for the foreseeable future; and accordingly the Group continues to adopt the going concern basis.

2. New and revised International Financial Reporting Standards

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

In the current year, the following accounting amendments, standards and interpretation became effective and have been adopted in these financial statements but have not materially affected the amounts reported in these financial statements:

Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income

IFRS 13 Fair Value Measurement

IAS 19 (reissued) Employee Benefits

IFRIC 20 Stripping costs in the Production Phase of a Surface Mine

In addition, the Group has early adopted the following standards, which are endorsed by the EU but not effective until 1 January 2014:

IFRS 10 Consolidated Financial Statements

IFRS 11 Joint Arrangements

IFRS 12 Disclosure of Interest in Other Entities

IAS 27 (reissued) Separate Financial Statements

IAS 28 (reissued) Investments in Associates and Joint Ventures

(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 14 Regulatory Deferral Accounts (effective for periods beginning on or after 1 January 2016)

IFRIC 21 Levies (effective for periods beginning on or after 1 January 2014)

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 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.

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 81.3 million (2012 loss: USD 112.8 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.

3. Significant accounting policies continued

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 associates and joint arrangements

Associates are investments over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee, but without the ability to exercise control or joint control. Typically the Group owns between 20% and 50% of the voting equity of its associates.

Joint arrangements are arrangements in which the Group shares joint control with one or more parties. Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangements' returns require the unanimous consent of the parties sharing control.

Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangements, whereas in joint ventures the parties have rights to the net assets of the arrangement.

Joint arrangements that are not structured through a separate vehicle are always joint operations. Joint arrangements that are structured through a separate vehicle may be either joint operations or joint ventures depending on the substance of the arrangement. In these cases, consideration is given to the legal form of the separate vehicle, the terms of the contractual arrangement and, when relevant, other facts and circumstances. When the activities of an arrangement are primarily designed for the provision of output to the parties and the parties are substantially the only source of cash flows contributing to the continuity of the operations of the arrangement, this indicates the parties to the arrangements have rights to the assets and obligations for the liabilities.

The Group accounts for joint operations by recognising the assets, liabilities, revenue and expenses for which it has rights or obligations, including its share of such items held or incurred jointly.

Investments in associates and joint ventures are accounted for using the equity method of accounting except when classified as held for sale. The Group's share of associates' and joint ventures' net income is based on their most recent audited financial statements or unaudited interim statements drawn up to the Group's balance sheet date.

The total carrying values of investments in associates and joint ventures represent the cost of each investment including the carrying value of goodwill, the share of post acquisition retained earnings, any other movements in reserves and any long term debt interests which in substance form part of the Group's net investment. The carrying values of associates and joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired.

The Group's share of an associate's or joint venture's losses in excess of its interest in that associate or joint venture is not recognised unless the Group has an obligation to fund such losses. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

(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.

3. Significant accounting policies continued

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.

(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.

Certain of the Group's sales are provisionally priced such that the price is not settled until a predetermined future date based on the market price at that time. Revenue on these sales is adjusted for the marked to market value at each reporting date using the forward price for the period equivalent to that outlined in the contract.

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.

(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.

3. Significant accounting policies continued

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.

(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 derecognition 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.

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.

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.

(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.

3. Significant accounting policies continued

(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.

(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.

Retirement benefits

One of the Company's subsidiaries operates a defined benefit plan for Sierra Leonean employees in compliance with local legislation. Full actuarial valuations are carried out for which gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in the statement of comprehensive income. Any increase in the present value of plan liabilities expected to arise from employee service in the year is charged to operating profit. The expected increase during the year in the present value of plan liabilities is included in interest expense.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

Restoration, rehabilitation and environmental

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.

3. Significant accounting policies continued
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.

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 'other gains and losses' 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.

(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.

3. Significant accounting policies continued

(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.

(b) 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.

(c) 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

The Group's revenue all relates to continuing operations and arises from the sale of 3,351k dmt (3,650k wmt) of iron ore concentrate from the Group's Marampa iron ore mine in Sierra Leone. All revenue in the year was to China and is attributable to two external customers (revenues of 58%/42%) (2012: all to one customer).

Provisionally priced contracts have resulted in a total (realised and unrealised) gain of USD 0.5 million to revenue.

A portion of the Group's revenue from the sale of goods was cash flow hedged. A USD 18.8 million loss has been recycled through revenue on hedges settled in the year ended 31 December 2013 (2012: USD 12.4 million gain).

6. Segment reporting

The Group operated in three principal geographical areas in the year: Sierra Leone; Greenland and Saudi Arabia.

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.

USD'000	Note	2013	2012
Revenue – iron ore – Sierra Leone	5	**299,398**	120,560
Segment result			
Sierra Leone		**79,414**	20,423
Greenland		**(682)**	(2,344)
Saudi Arabia		**(70)**	(552)
Unallocated costs including corporate		**(16,483)**	(25,830)
Unallocated share-based payments charge		**(8,113)**	(5,854)
Group EBITDA		**54,066**	(14,157)
Depreciation and amortisation – Sierra Leone		**(30,897)**	(12,402)
Depreciation and amortisation – other		**(602)**	(601)
Profit/(Loss) from operations		**22,567**	(27,160)
Finance income	9	**1,757**	969
Finance costs	10	**(42,015)**	(31,828)
Other gains and losses	21	**(1,501)**	–
Loss before taxation from continuing operations		**(19,192)**	(58,019)

Segment assets and liabilities

	Segment assets		Segment liabilities	
USD'000	**2013**	2012	**2013**	2012
Sierra Leone	**579,765**	500,653	**(193,161)**	(195,552)
Greenland	**67,022**	65,646	**(29,846)**	(30,223)
Saudi Arabia	**26,158**	25,987	**(4)**	(15)
Unallocated including corporate	**40,934**	84,907	**(316,720)**	(259,644)
	713,879	677,193	**(539,731)**	(485,434)
Discontinued operations: Colombia	**271**	6,419	**(409)**	(2,640)
Total	**714,150**	683,612	**(540,140)**	(488,074)

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 the corporate head office.

6. Segment reporting continued

Segment depreciation and additions to non-current assets

	Depreciation and amortisation		Additions to non-current assets[1]	
USD'000	**2013**	2012	**2013**	2012
Sierra Leone	**30,897**	12,402	**115,805**	160,621
Greenland	**357**	364	**1,923**	5,246
Saudi Arabia	**2**	–	**193**	665
Unallocated including corporate	**243**	237	**78**	175
Continuing operations	**31,499**	13,003	**117,999**	166,707
Discontinued operations: Colombia	**–**	465	**–**	15,342
Total	**31,499**	13,468	**117,999**	182,049

[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

USD'000	**2013**	2012
Sierra Leone	**513,834**	429,197
Greenland	**66,683**	65,117
Saudi Arabia	**26,110**	25,919
United Kingdom	**355**	523
	606,982	520,756
Discontinued operations: Colombia	**–**	–
Total	**606,982**	520,756

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

7. Auditor's remuneration

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

USD'000	**2013**	2012
Audit of the Group's statutory accounts	**309**	261
Audit of the Company's subsidiaries	**35**	25
Total audit fees	**344**	286
Interim review fees	**122**	118
Non-audit services	**68**	194
Total audit and non-audit fees	**534**	598

8. Staff costs

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

Number	**2013**	2012
Marampa (Sierra Leone)	**1,411**	1,283
Isua (Greenland)	**3**	5
Wadi Sawawin (Saudi Arabia)	**1**	3
Corporate	**31**	31
Technical Services team	**4**	5
	1,450	1,327

8. Staff costs continued

USD'000	2013	2012
Directors' and key management personnel:		
Wages and salaries	**4,395**	6,890
Social security costs	**934**	688
Contribution to private health schemes	**43**	55
Share-based payment expense	**5,167**	2,474
	10,539	10,107
Staff other than Directors and key management personnel:		
Wages and salaries	**51,254**	35,330
Social security costs	**913**	973
Superannuation	**51**	80
Contribution to private health schemes	**105**	470
Employer's liability insurance	**27**	21
Share-based payment expense	**232**	1,500
	52,582	38,374
Amounts capitalised	**(15,184)**	(19,377)
Total staff costs charged to income statement	**47,937**	29,104

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.

9. Finance income

USD'000	2013	2012
Interest income from cash and cash equivalents	**50**	336
Exchange gains	**1,707**	633
	1,757	969

10. Finance costs

USD'000	Note	2013	2012
Borrowing costs		**32,990**	27,494
Finance expense on other financial liabilities		**10,271**	10,716
Fair value gains on other financial liabilities	21	**(9,932)**	(7,489)
Interest on obligations under finance leases	20	**4,279**	3,945
Interest and other finance expense		**3,822**	1,270
Exchange losses		**1,472**	1,371
		42,902	37,307
Less: interest expense capitalised as intangible assets	15	**(281)**	(659)
Less: interest expense capitalised as property, plant and equipment	16	**(606)**	(4,820)
Total finance costs		**42,015**	31,828

11. Taxation

USD'000	2013	2012
Income tax recognised in the income statement:		
Analysis of charge in year:		
Current tax	**79**	–
Deferred tax credit relating to origination and reversal of temporary differences	**(328)**	(29,688)
Withholding taxes	**1,696**	–
	1,447	(29,688)
Analysis of charge in year:		
Loss before taxation	**(19,192)**	(58,019)
Expected tax credit based on rate of corporation tax in Sierra Leone of 30% (2011: 30%)	**(5,758)**	(17,406)
Effect of reduced tax rates in the Mining Lease Agreement	**(12,263)**	(22,821)
Different tax rates applied in other jurisdictions	**4,113**	(316)
Expenses not deductible for taxation, net of investment allowances	**(4,428)**	1,097
Capital allowances in excess of depreciation	**(830)**	(1,554)
Other temporary differences	**1,892**	1,071
Tax losses not recognised	**17,852**	11,933
Withholding taxes net of double tax relief	**869**	–
Adjustment in respect of prior years	**–**	(1,692)
	1,447	(29,688)

12. Discontinued operations

Discontinued operations relate to the Colombian operation which has been classified as held for sale. Subsequent to 31 December 2013 the business has been sold (see note 31).

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 remeasurement 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:

USD'000	2013	2012
Net expenses	**(4,320)**	(5,278)
Inventory write-down	**–**	(5,792)
Fair value gains	**–**	*10,757*
Impairment	**–**	*(9,603)*
Exploration costs written off	**–**	*(14,548)*
Remeasurement to fair value less costs to sell	**–**	*(52,892)*
Net impairment	**–**	(66,286)
Loss before tax	**(4,320)**	(77,356)
Attributable tax (expense)/credit	**–**	(2,164)
Loss after tax from discontinued operations	**(4,320)**	(79,520)

Balance sheet

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

USD'000	2013	2012
Inventory	**–**	6,277
Cash and bank balances	**271**	142
Total assets classified as held for sale	**271**	6,419
Trade and other payables	**(308)**	(2,328)
Tax liabilities	**(101)**	(312)
Total liabilities associated with assets classified as held for sale	**(409)**	(2,640)
Net (liabilities)/assets classified as held for sale	**(138)**	3,779

13. Loss per share

Basic

Basic loss 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

	2013	2012
Loss from continuing operations attributable to equity holders of the Company	**(20,639)**	(28,331)
Weighted average number of ordinary shares in issue (number)	**137,222,808**	134,244,135
Basic loss per share attributable to equity holders of the Company (USD)	**(0.15)**	(0.21)

From discontinued operations

	2013	2012
Loss attributable to equity holders of the Company (USD'000)	**(4,320)**	(79,520)
Weighted average number of ordinary shares in issue (number)	**137,222,808**	134,244,135
Basic loss per share attributable to equity holders of the Company (USD)	**(0.03)**	(0.59)
From continuing and discontinued operations (USD)	**(0.18)**	(0.80)

Diluted

The outstanding options, LTIP awards and the impact of the convertible bond at 31 December 2013 and 2012 represent anti-dilutive potential ordinary shares with respect to loss per share from continuing operations. Therefore, basic and diluted loss per share are the same for the years presented.

14. Intangible assets

USD'000	Mineral rights and exploration and evaluation costs USD'000	Other USD'000	Total USD'000
Cost – 1 January 2013	91,012	2,672	93,684
Additions	1,958	258	2,216
31 December 2013	**92,970**	**2,930**	**95,900**
Amortisation – 1 January 2013	–	447	447
Transferred to property, plant and equipment	–	(497)	(497)
Charge for the year	–	341	341
31 December 2013	**–**	**291**	**291**
Net carrying value			
1 January 2013	91,012	2,225	93,237
31 December 2012	**92,970**	**2,639**	**95,609**

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.

The Group has certain licences which will be subject to renewal during 2014 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.

A security charge has been pledged over assets in Greenland (attributable intangible assets of USD 66.6 million) as security in respect of the borrowings (see note 22) (2012: USD 65.1 million).

15. Property, plant and equipment

USD'000	Land and buildings	Mineral properties	Plant and equipment	Other[1]	Total
Cost – 1 January 2013	46,307	186,300	69,525	137,610	439,742
Additions	811	3,850	4,710	95,270	104,641
Transfers	12,913	43,007	56,928	(112,848)	–
Transferred from intangible assets	–	–	–	–	–
Disposals	–	–	(720)	(12)	(732)
31 December 2013	**60,031**	**233,157**	**130,443**	**120,020**	**543,651**
Depreciation – 1 January 2013	2,153	1,638	11,343	345	15,479
Charge for the year	12,962	4,325	13,625	246	31,158
Transfers	–	–	57	(57)	–
Transferred from intangible assets	–	–	497	–	497
Disposals	–	–	(449)	(12)	(461)
31 December 2013	**15,115**	**5,963**	**25,073**	**522**	**46,673**
Net carrying value: 2012	44,154	184,662	58,182	137,265	424,263
Net carrying value: 2013	**44,916**	**227,194**	**105,370**	**119,498**	**496,978**

[1] Included within Other is USD 119 million relating to work in progress which is not yet depreciated and relates mainly to the Phase 1C plant at Marampa.

A fixed and floating security charge has been pledged over all property, plant and equipment in Sierra Leone (USD 460.5 million) as security in respect of the borrowings (see note 22) (2012: USD 387.1 million).

16. Deferred tax assets and liabilities

USD'000	Note	Accelerated capital allowances	Tax losses carried forward	Total
31 December 2012		(54,131)	64,482	10,351
(Charged)/credited to the income statement	**11**	(28,809)	29,136	328
31 December 2013		**(82,940)**	**93,618**	**10,679**

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 341.0 million (2012: USD 265.0 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.

17. Inventories

USD'000	2013	2012
Consumables	**4,281**	2,686
Raw materials	**14,444**	7,337
Finished goods	**1,576**	16,699
	20,301	26,722
Current inventories	**13,632**	23,666
Non-current inventories[1]	**6,669**	3,056
	20,301	26,722

[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 balance sheet date.

The cost of inventories recognised as an expense and included in cost of sales amounted to USD 189.1 million (2012: USD 84.2 million).

18. Receivables

USD'000	2013	2012
Trade receivables	**2,660**	6,179
Prepayments	**17,023**	13,841
Other receivables	**23,700**	9,948
	43,383	29,968
Current receivables	**35,657**	29,768
Non-current receivables[1]	**7,726**	200
	43,383	29,968

[1] Non-current receivables comprise amounts paid in advance for mobilisation of the mining fleet and the Floating Crane Transhipment Unit in Sierra Leone. These will be amortised over the life of the contracts.

19. Trade and other payables

USD'000	2013	2012
Trade and other payables	**16,300**	23,620
Other taxation and social security	**3,065**	2,730
Accruals	**26,859**	20,138
Deferred revenue	**30,261**	24,962
	76,485	71,450

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

20. Obligations under finance leases

Minimum lease payments

USD'000	2013	2012
Within one year	**4,636**	4,635
In the second to fifth years inclusive	**18,555**	18,555
After five years	**13,721**	18,357
Less: future finance charges	**(19,153)**	(23,037)
Present value of lease obligations	**17,759**	18,510

Present value of lease obligations

USD'000	2013	2012
Within one year	**931**	750
In the second to fifth years inclusive	**6,607**	5,323
After five years	**10,221**	12,437
Present value of lease obligations	**17,759**	18,510
Due within one year	**931**	750
Due greater than one year	**16,828**	17,760

On 16 January 2012 London Mining completed a sale and leaseback arrangement with Egon Oldendorff (Liberia) Inc (Oldendorff) in relation to the "Pride of Marampa" transhipment vessel. 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.

21. Other financial liabilities

USD'000	2013	2012
Current		
Royalty funding arrangement – Sierra Leone	**9,918**	5,875
Forward commodity contracts	**10,736**	3,560
Other financial liabilities	**20,654**	9,435

USD'000	2013	2012
Non-current liabilities		
Royalty funding arrangement – Sierra Leone	**96,445**	105,491
Consideration for royalty payments – Greenland	**29,771**	29,495
Other financial liabilities	**126,216**	134,986

Royalty funding arrangement – Sierra Leone
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 reassessed 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 10.0 million (2012: USD 10.1 million) and a non-cash fair value gain of USD 9.9 million (2012: USD 7.5 million).

USD'000	2013	2012
At 1 January	**111,366**	–
Fair value of funding	**–**	108,930
Payments made in year	**(5,061)**	(132)
Finance expense	**9,990**	10,057
Fair value adjustment recognised in income statement	**(9,932)**	(7,489)
At 31 December	**106,363**	111,366
Due within one year	**9,918**	5,875
Due greater than one year	**96,445**	105,491
Royalty funding arrangement – Sierra Leone	**106,363**	111,366

Consideration for royalty payments – Greenland
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 funding has no interest accruing and is otherwise repayable if one or more of the following milestone targets are not met by preagreed dates:

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

b. A change in control; or

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

The consideration received in August 2011, net of issue costs of USD 1.6 million, was 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, as the impact of discounting to a market rate of interest is immaterial. Capitalised accretion in the year was USD 0.3 million (2012: USD 0.7 million).

Forward commodity contracts
The forward commodity contracts are for 1.5Mdmt of Marampa production from January 2014 to September 2014. 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. The forward contacts have been highly effective in the year. As at 31 December 2013, USD 1.5 million has however been recognised in profit or loss for ineffectiveness expected on open contracts.

At 31 December 2012 forward commodity contracts were in place for 320,000dmt of Marampa production from January 2013 to March 2013. The hedges were highly effective in the period and have been transferred on settlement from equity to profit or loss.

22. Borrowings

USD'000	2013	2012
Bank loans (secured)	**193,378**	91,393
Convertible bonds (unsecured)	**101,300**	97,608
Offtake financing (unsecured)	**–**	58,170
	294,678	247,171
Due within one year	**6,663**	116,157
Due greater than one year	**288,015**	131,014
	294,678	247,171

Bank loans and offtake financing
The Group restructured its debt in March 2013 and November 2013.

On 18 March 2013 the existing USD 90 million revolving credit facility with Standard Chartered Bank ("SCB") was refinanced into a USD 165 million credit facility held by SCB, FirstRand Bank Limited and Ecobank (increased to USD 180 million with the addition of FNB Bank into the facility). The credit facility was drawn in full on 17 May 2013 with all principal and interest owing on the previous revolving credit facility and the offtake financing with Vitol Group repaid out of the proceeds. The net cash inflow was USD 23.5 million.

On 25 November 2013 the Group completed a restructuring of this credit facility replacing it with a USD 150 million amortising loan facility with a final maturity 31 March 2019 and a USD 50 million revolving credit facility extendable at the Company's request until 31 March 2019 (together "the New Facilities"). The New Facilities bear interest at 8.5% above LIBOR, falling to 7.5% above LIBOR upon technical completion of the Marampa Life of Mine extension and certain conditions subsequent. The effective interest rate is 10%. The net cash inflow was USD 13.9 million.

On 3 June 2013 London Mining signed a new unsecured financing agreement with Vitol Group for a USD 25 million Prepayment Agreement regarding the offtake of 2 million wmt of iron ore per annum over six years. The prepayment is considered deferred revenue – see note 19.

Convertible bonds
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 were issued with a coupon of 8% per annum and convertible into ordinary shares of the Company at any time between April 2011 and January 2016 at a conversion price of GBP 4.74 (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 when issued was 15 February 2016. Following the equity raise in 2012 the conversion price was amended to GBP 4.75 with all other terms remaining unchanged.

The net value received from the issue of the convertible loan notes was split on inception 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, recognised in the convertible debt reserve.

In December 2013 the maturity of the convertible bonds was extended from 15 February 2016 to 30 April 2019 accompanied by an increase in the interest rate from 8% to 12% per annum and an increase in the conversion period from January 2016 to ten days prior to the extended maturity. The conversion price remains unchanged.

As the cashflows under the revised agreement are not significantly different to the remaining cashflows on the existing agreement when discounted at the original effective interest rate, no extinguishment of the existing liability has been recognised. The effective interest rate is 14.49%.

23. Provisions

USD'000	Restoration and decommissioning provision
At 1 January 2012	3,882
Additional provision in the year	1,621
Unwinding of discount	66
Adjustment for change in discount rate	(1,284)
Effects of revised timing of cash outflows	(1,016)
	3,269

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. Under the terms of the MLA London Mining is not responsible for rehabilitating any of the pre-existing environmental damage.

Also included in provisions at 31 December 2013 is an employee benefit provision of USD 0.6 million based on an actuarial assessment of the Company's subsidiary London Mining Company's obligation under Sierra Leonean law to pay end of service benefit to employees based on a number of working days dependent upon years of service.

24. Share capital

	No. of shares	**2013 USD'000**	No. of shares	2012 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
Issued and fully paid ordinary shares:				
At 1 January	**138,425,408**	**488**	114,101,960	412
Issued during the year	**–**	**–**	24,323,448	76
	138,425,408	**488**	138,425,408	488

During the year ended 31 December 2013:

- Nil (2012: 22,685,000) shares were issued from equity raises;
- Nil (2012: 557,000) shares were issued following the exercise of options by employees and Directors;
- Nil (2012: 1,000,000) shares were issued to Fraser Turner Limited in connection with the Company's obligation under a facilitation agreement dated 28 February 2007; and
- Nil (2012: 81,448) shares were issued following the cancellation of share options to Non-Executive Directors (see page • 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 2013 197,320 shares (2012: 85,000 shares) were distributed on the exercise of LTIP and deferred awards, no shares (2012: no shares) were transferred into a second discretionary trust, no shares (2012: no shares) were acquired in the year and no shares (2012: no shares) were sold during the year. The Group's employee benefit trust had 984,680 shares at 31 December 2013 (2012: 1,182,000). 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 (2012: 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.

24. Share capital continued

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.

(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.

25. 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:

USD'000	**2013**	2012
Staff	**5,399**	3,689
Consultants	**2,714**	2,165
Share-based payment expense	**8,113**	5,854

	2013		2012	
	Number	**Weighted average exercise price GBP**	Number	Weighted average exercise price GBP
Share options				
At 1 January	**11,279,384**	**2.20**	10,696,384	2.07
Granted	**1,747,000**	**1.06**	1,895,000	2.40
Cancelled	**(30,000)**	**3.00**	(200,000)	2.04
Forfeited	**(2,643,016)**	**2.54**	(555,000)	2.05
Exercised	**–**	**–**	(557,000)	1.72
At 31 December	**10,353,368**	**1.97**	11,279,384	2.20
Warrants	**850,000**	**3.09**	850,000	3.09
Jointly held shares	**100,000**	**2.37**	100,000	2.37
LTIPs				
At 1 January	**2,812,849**	**–**	564,592	–
Granted	**2,732,362**	**–**	2,333,257	–
Cancelled	**(14,974)**	**–**	–	–
Forfeited	**(201,736)**	**–**	–	–
Exercised[1]	**(15,223)**	**–**	(85,000)	–
At 31 December	**5,313,268**	**–**	2,812,849	–
Deferred shares				
At 1 January	**1,097,949**	**–**	–	–
Granted	**1,260,085**	**–**	1,097,949	–
Exercised[2]	**(182,087)**	**–**	–	–
At 31 December	**2,175,947**	**–**	1,097,949	–

[1] The weighted average share price at the date of exercise of LTIPs was GBP 1.15.
[2] The weighted average share price at the date of exercise of Deferred Shares was GBP 1.13.

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 page 76-77 of the Directors' Remuneration Report.

25. Share-based payments continued
Share schemes outstanding at 31 December 2013 are as follows:

	Outstanding	Exercisable	Range of exercise prices GBP	Weighted average remaining contractual life
Share options granted:				
July 2007	1,750,000	1,750,000	1.74	3.53 years
May 2008	1,500,000	1,500,000	3.09 - 3.44	4.36 years
October 2008	500,000	500,000	2.37	4.79 years
July 2009	2,346,667	2,346,667	1.31	5.50 years
August 2009	150,000	150,000	1.61	5.50 years
May 2010	44,717	44,717	2.01	6.40 years
June 2010	500,000	500,000	1.97	6.44 years
August 2011	824,984	273,000	3.00	7.65 years
January 2012	20,000	-	2.89	8.08 years
April 2012	570,000	-	2.93	8.32 years
August 2012	500,000	-	1.67	8.65 years
April 2013	1,647,000	-	1.06	9.31 years
Share options	10,353,368	7,064,384	1.31 - 3.44	6.12 years
Warrants	850,000	850,000	3.09	7.98 years
Jointly-held Shares	100,000	-	2.37	7.44 years
LTIPs	5,333,268	464,359	-	8.62 years
Deferred Shares	2,175,947	781,433	-	8.91 years

With the exception of all the LTIP options (2012: 1,773,257) granted that include TSR-based performance conditions, and 568,660 deferred awards that are dependent upon a price target of GBP 2.55 by October 2014, which have been valued using Monte Carlo (see page 74 of the Directors' Remuneration Report), all share-based payment grants have been measured using the Black Scholes pricing model. The weighted average inputs of options granted in the year are as follows:

	2013	2012
Fair value of option (GBP)	**0.34**	0.68
Exercise price (GBP)	**1.06**	2.38
Expected volatility	**48%**	43%
Expected life	**3 years**	3 years
Risk free rate	**0.35%**	0.46%
Expected dividend yields	**0%**	0%

The fair value of the nil cost LTIPs and deferred awards not dependent upon market conditions is equal to the share price at the date of grant (GBP1.06).

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.

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 (GBP 3.5 million) and to be received (GBP 3.5 million). The amount representing the services being performed 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 15).

26. Operating leases

At 31 December 2013, the Group had the following minimum cumulative commitments under non-cancellable operating leases.

USD'000	2013	2012
Expiry date		
Within one year	**10,588**	11,707
One to five years	**699**	1,003
After five years	**1,693**	1,752
	12,980	14,462

27. 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 the Marampa iron ore mine. The Directors' current expectation is that the Performance Bond will not be called upon.

As part of the port agreement between London Mining Colombia and Michellmar S.A, a letter of credit is in place for USD 1.7 million. This contingent liability has now been settled as part of the sale of London Mining Colombia to Michellmar S.A, see note 31.

28. Financial instruments, risk management and exposure

Classification of financial instruments

USD'000	2013	2012
Financial assets		
Cash and cash equivalents	**46,929**	92,652
Loans and receivables	**26,360**	16,127
Assets held for sale	**271**	142
	73,560	108,921

Included within cash and cash equivalents is USD 1.3 million of cash restricted as collateral for letters of credit.

The carrying amount of financial assets is deemed to be approximate to fair value.

USD'000	2013	2012
Financial liabilities		
At fair value through profit and loss:		
Derivative instruments in designated hedge accounting relationships[1]	**10,736**	3,560
Royalty payments – Sierra Leone[2]	**106,358**	111,366
At amortised cost:		
Borrowings[3]	**294,678**	189,001
Trade and other payables[3]	**46,224**	46,488
Royalty payments – Greenland	**29,776**	29,495
Obligations under finance leases	**17,759**	18,510
Liabilities directly associated with assets held for sale	**409**	2,640
	505,940	401,060

[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 21) 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 101.3 million is USD 104.1 million. All other financial liabilities held at amortised cost are considered to be approximate to their fair value.

28. Financial instruments, risk management and exposure continued

Offsetting financial assets and financial liabilities

Amounts due from and to the Group's customers (note 5) 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 2013 was USD 73.6 million (2012: USD 109 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.

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.

USD'000	Less than 1 month	1-3 months	3 months to 1 year	More than 1 year	Total
At 31 December 2013	**24,811**	**32,707**	**17,169**	**431,253**	**505,940**
At 31 December 2012	38,217	19,427	101,580	241,836	401,060

28. Financial instruments, risk management and exposure continued

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 its debt facility (see note 22). It remains Group policy to not hedge commodity prices other than for funding and 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), South African Rand 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 2013 the Group had borrowings (note 22) and therefore exposure to interest rates:

- The bank facility of USD 200.0 million has a floating interest rate. The facility bears interest at 8.5% above LIBOR, falling to 7.5% based on covenants. The effective interest rate is 10%.
- The USD 110.0 million convertible loan has a fixed interest rate of 12% (more detail on this is provided in note 22).

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 2013 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 2013 equity attributable to equity holders of the parent is USD 172.4 million (2012: USD 195.5 million), whilst cash and cash equivalents amount to USD 46.9 million, (2012: USD 92.7 million).

The Group is subject to and has complied with externally imposed capital requirements relating to debt ratios as part of the borrowings.

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 13.7 million.

A USD5/t difference in the CFR price of iron ore with all other variables held constant would increase/decrease loss for the year by USD 6.4 million.

29. Capital Commitments

As at 31 December 2013, the Group had commitments for the acquisition of property, plant and equipment of USD 5.1 million (2012: USD 7.8 million).

The Group's share of the capital commitments of its joint arrangements is USD nil (2012: USD nil).

30. Related party transactions

At 31 December 2013 the Directors of the Group and their related parties, and entities in which they had a beneficial interest, controlled 6.2% (2012: 6.5%) 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.

Key management personnel compensation is disclosed in note 8.

31. Events after the balance sheet date

The Colombian operation was placed into care and maintenance in January 2013, and was considered held for sale as at 31 December 2013. On 20 February 2014 London Mining Colombia was sold for a total consideration of up to USD 5 million. The consideration is structured as a USD 1.5 million cash payment, offsetting liabilities in the business such that on a net basis no material cash will be transferred between either party, with the balance of up to USD 3.5 million to be received as 6.5% of any audited future revenues, with the buyer under no obligation to pay the balance if no revenue is recorded.

On 5 March 2014, London Mining entered into a five-year offtake agreement with Cargill. The agreement is for 1Mwmt/a and includes a USD 20 million rolling prepayment facility.

32. 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		**2013**	2012
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**	100

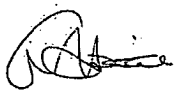
A full list of Group companies will be included in the annual return registered with Companies House.

Company balance sheet

As at 31 December

USD'000	Note	2013	2012
Non-current assets			
Intangible assets	1	**46,391**	44,310
Property, plant and equipment		**27,278**	27,285
Investment in subsidiaries	2	**314,007**	310,409
Total non-current assets		**387,676**	382,004
Current assets			
Current loans and receivables	3	**24,275**	16,546
Cash and cash equivalents		**38,993**	78,345
Total current assets		**63,268**	94,891
Total assets		**450,944**	476,895
Current liabilities			
Trade and other payables	4	**(52,409)**	(37,447)
Borrowings		**(3,363)**	(112,857)
		(55,772)	(150,304)
Non-current liabilities			
Borrowings		**(190,015)**	(36,706)
Amounts owed to subsidiaries		**(21,924)**	(28,812)
		(211,939)	(65,518)
Total liabilities		**(267,711)**	(215,822)
Total net assets		**183,233**	261,073
Equity			
Share capital		**488**	488
Share premium account		**117,513**	117,513
Merger reserve		**12,000**	12,000
Other reserves		**36,706**	33,711
Retained earnings		**16,526**	97,361
Total equity		**183,233**	261,073

The financial statements of London Mining Plc (Company Number 05424040) were approved by the Board of Directors on 5 March 2014 and are signed on their behalf by:



Graeme Hossie
Chief Executive Officer

Benjamin Lee
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 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**
Total comprehensive loss for the year	–	–	–	**(81,258)**	–	**(5,688)**	–	**(86,946)**
Recognition of share-based payments	–	–	–	**423**	**8,683**	–	–	**9,106**
Balance at 31 December 2013	**488**	**117,513**	**12,000**	**16,526**	**27,901**	**(8,751)**	**17,556**	**183,233**

Company cash flow statement

USD'000	2013	2012
Loss for the year	**(81,258)**	(112,765)
Adjusted for		
Other gains and losses	**1,501**	(10,757)
Impairment	**–**	95,829
Depreciation and amortisation	**958**	526
Finance income	**(807)**	(678)
Finance costs	**36,841**	12,219
Share-based payments expense	**8,113**	5,854
Tax cost	**79**	–
Increase in receivables	**(8,904)**	(16,947)
Increase in payables	**8,501**	17,665
Cash used by operations	**(34,976)**	(9,054)
Interest received	**50**	114
Interest expense	**(21,251)**	(8,454)
Net cash outflow from operating activities	**(56,177)**	(17,394)
Cash flows from investing activities		
Loans to subsidiaries	**(23,716)**	(93,111)
Payments to acquire intangible assets	**(2,188)**	(3,380)
Purchase of property, plant and equipment	**(239)**	(19)
Net cash outflow from investing activities	**(26,143)**	(96,510)
Cash flows from financing activities		
Proceeds from issue of ordinary shares, share options and warrants	**–**	88,295
Proceeds on issue of borrowing	**42,972**	53,350
Net cash inflow from financing activities	**42,972**	141,645
Net (decrease)/increase in cash and cash equivalents	**(39,348)**	27,741
Cash and cash equivalents at beginning of year	**78,345**	50,623
Exchange differences	**(4)**	(19)
Cash and cash equivalents at end of year	**38,993**	78,345

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 2013	99	44,599	44,698
Additions	–	2,794	2,794
Cost at 31 December 2013	**99**	**47,393**	**47,492**
Amortisation			
1 January 2013	(99)	(289)	(388)
Charge for the year	–	(713)	(713)
Amortisation at 31 December 2013	**(99)**	**(1,002)**	**(1,101)**
Net book value 31 December 2012	–	44,310	44,310
Net book value at 31 December 2013	**–**	**46,391**	**46,391**

2. Investments

	Investments in subsidiaries USD'000
1 January 2012	317,387
Equity injected into subsidiary	20,000
Impairment of London Mining Colombia	(26,978)
31 December 2012	310,409
Equity injected into subsidiary	**3,598**
31 December 2013	**314,007**

3. Current loans and receivables

USD'000	2013	2012
Trade receivables	**23,614**	6,419
Prepayments	**267**	758
Other receivables	**394**	9,369
Total current loans and receivables	**24,275**	16,546

4. Trade and other payables

USD'000	2013	2012
Current		
Trade and other payables	**4,581**	1,465
Other taxation and social security	**357**	302
Accruals	**17,210**	10,718
Deferred revenue	**30,261**	24,962
Total current trade and other payables	**52,409**	37,447

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"	The 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as published by the Joint Ore Reserves Committee (JORC) of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
"LoM"	Life of Mine
"Magnetite"	Ferrous-ferric oxide (FeO)

"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
"Mdmt/a"	Million dry metric tonnes per annum
"Mn"	Manganese
"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
"ore reserve"	The economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves. A Probable Ore Reserve has a lower level of confidence than a Proved Ore Reserve but is of sufficient quality to serve as the basis for a decision on the development of the deposit
"P"	Phosphorus
"PFS"	Prefeasibility study
"ROM"	Run of mine
"SIA"	Social Impact Assessment
"SiO_2"	Silica
"t"	Tonnes
"WHIMS"	Wet High Intensity Magnetic Separation
"wmt"	Wet metric tonnes

Officers and professional advisers

Country of registration of parent company
England and Wales

Legal form
Public limited company

Directors
Michael Miles (appointed 5 December 2012)
Sir Nicholas Bonsor, Bt DL
Graeme Hossie
Benjamin Lee
Alan Ferguson (appointed 21 March 2013)
Colin Harris
Malcolm Groat
Luciano Ramos
Dr Colin Knight (retired 22 May 2013)
Graham Mascall (retired 21 March 2013)
Rachel Rhodes (resigned 7 November 2013)

Company secretary
Rohit Bhoothalingam

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Chartered Accountants
London

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