



LONRHO MINING LIMITED (ASX: LOM) QUARTERLY REPORT FOR PERIOD ENDED 29 FEBRUARY 2012

HIGHLIGHTS

- Former Rio Tinto Diamonds MD, Gordon Gilchrist, appointed Chairman as part of Board revamp.
- \$12.7 million capital raising completed to fund new program to drill test 61 priority kimberlite targets within the Lulo Concession.
- New \$3.5 million Dense Media Separation diamond recovery plant and \$1 million fleet of earthmoving equipment purchased for kimberlite exploration program.
- \$2.2 million contract signed with BAUER Technologies South Africa for drilling and bulk sampling of kimberlite targets.
- 54 of 61 kimberlite targets visited and sampled ahead of drill testing.
- Lonrho to use an excavator to commence sampling shallow buried kimberlite targets.
- Continued success with alluvial diamond program, including 14 diamonds recovered from lateritic gravels in bulk sample BLK_07.

LULO DIAMOND CONCESSION, OVERVIEW

Lonrho Mining Limited (ASX: LOM) (Lonrho) is exploring for diamonds in the Lulo Concession in Angola. This Concession covers a total area of about 3,000km² and is located in the Cuango River Basin within the Lunda Norte Province of north-eastern Angola. The project area is situated approximately 750km from Angola's capital city of Luanda and can be accessed via sealed road.

The Lulo Diamond Concession is about 150km west of the 170-million carat Catoca diamond mine operated by Russian giant Alrosa, which is considered the third largest kimberlite mine in the world.



Lulo has world-class diamond exploration potential, with a major kimberlite field located within the Concession and extensive diamond-bearing alluvials occurring along the Caculo and Lulo Rivers. The project is operated as a joint venture with the Government-owned diamond company, Endiama, the exclusive concessionary for Angolan diamond mining rights.

Under the joint venture arrangement, Lonrho holds a 40 per cent interest in the Concession relating to alluvials (39 per cent for kimberlites), with Endiama and private Angolan interests holding the balance. Lonrho is the manager and operator on the Concession and funds all exploration activities.

In the event that a mining operation is commenced within the Lulo Concession, Lonrho is entitled to first recover all of its exploration and development costs, after which the proceeds will be shared proportionally between the stakeholders.

KIMBERLITE EXPLORATION PROGRAM

The Lulo Concession contains one of the most significant unexplored kimberlite provinces in the world. Geophysical surveys undertaken by the Company over one third of the Lulo Concession in 2008 identified 247 targets with magnetic signatures consistent with shallowly buried kimberlite pipes. Recent surface exploration has enhanced this conclusion. During previous quarters Lonrho outlined plans for a US\$12.7 million exploration program to drill and bulk sample the priority kimberlite targets.

This kimberlite exploration program is based on a report published in June 2011 by international diamond expert Manfred Marx entitled *The Economic Potential of the Lulo Project, Lunda Norte Province, Angola*.

In his report, Mr Marx examined aeromagnetic and other data from the area and identified 61 high priority kimberlite targets where future exploration should be concentrated. Mr Marx also nominated the 170-million carat Catoca diamond mine as the target model for Lonrho's kimberlite exploration program. Located about 150km east of the Lulo Concession, the 60-hectare Catoca mine is considered the third largest kimberlite mine in the world.

The program to drill test the 61 priority kimberlite targets identified by Mr Marx was conditional on approval from Lonrho's joint venture partner Endiama and Lonrho's ability to raise sufficient funds to complete the program.

Significantly, both of these conditions were met during the Quarter, enabling Lonrho to push ahead with what is clearly the most exciting exploration phase undertaken by the Company.

The completion of the \$12.7 million capital raising enabled the Company to purchase key items for the kimberlite exploration program.

These items include a new \$3.5 million Dense Media Separation (DMS) plant capable of treating 50 tonnes per hour. This DMS plant is being manufactured by Bond Industries in South Africa.



QUARTERLY REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2012

At this stage, Lonrho expects the new DMS plant will be delivered on site at Lulo by July 2012, provided there are no delays in transporting the DMS plant from South Africa, or delays with Customs and/or wharfs. In the meantime, the Company will continue to use its existing 15 tonne per hour DMS plant.



New 50tph DMS Plant

The \$1 million fleet of new Caterpillar earth moving equipment purchased by Lonrho for the kimberlite exploration program includes a bulldozer, excavator, dump truck and two front end loaders. This earth moving equipment is scheduled to be inspected by Endiama next week and is scheduled to be on site by June/July 2012.

Lonrho's US\$12.7 million kimberlite exploration program will involve drill testing and sampling the 61 kimberlite targets identified by Mr Marx. Lonrho has contracted BAUER Technologies South Africa to undertake this \$2.2 million drilling and sampling program.



Selection of new earth moving equipment



This BAUER drilling program, which has been approved by Endiama, is scheduled to commence in the first week of July and will be conducted in two stages. Firstly, narrow-diameter core drilling will be conducted to a depth of 50m to confirm the presence of kimberlite at the site of the magnetic anomaly.

If kimberlite is located during this core drilling phase, one or more 17.5 inch diameter holes will be drilled into the kimberlite to extract 25-tonne samples. These wide-diameter bulk sampling holes will be drilled to a maximum depth of 100m, with the coarser drill chips (>1mm) collected and processed for diamonds through the DMS plant.

Significantly, Lonrho's surface sampling program has shown that a number of the priority kimberlite targets either outcrop or are only covered by a thin soil veneer. For this reason, the Company will evaluate these pipes using surface excavations, rather than drilling.

Under this scenario Lonrho will use its excavator to dig pits into the shallow buried pipes and process material from these pits through the DMS plant. While this approach will involve additional road construction, it will also enable a number of the kimberlite targets to be at least partially evaluated before the BAUER drilling equipment arrives on site.

Since receiving the Manfred Marx report, Lonrho has been preparing for this kimberlite exploration phase by undertaking an extensive surface sampling program designed to prioritise the various kimberlite targets and help determine future sampling methods.

To date, 54 of the 61 priority kimberlite targets identified by Mr Marx in his report have been visited and sampled by the Company. Of these 54 kimberlite targets, 18 targets are either confirmed kimberlites (kimberlite identified during mapping/pitting) or probable kimberlites (based on the type of indicator minerals, surface morphology and distribution frequency).

Of the remainder, an additional 13 targets contain concentrations of kimberlitic indicator minerals suggesting a proximal, shallow buried source. The remaining 23 targets that have been sampled contain kimberlitic indicator minerals in low concentrations. The Company believes these anomalies may represent more kimberlites covered by some thickness of transported overburden. A map showing the priority kimberlite targets and summarising the surface sampling results is presented as Figure 1.

During the Quarter surface pitting was used successfully to locate and define the K170¹ kimberlite (Figures 2 and 3). Because of access issues and lack of available equipment, the exploration pits on this kimberlite pipe were dug by hand. For safety reasons, bulk samples could not be recovered from these pits. All the pits excavated into the K170 pipe were less than 4.5m deep and could easily have been dug using an excavator.

¹ Kimberlite K170 derives its name/number from the magnetic anomaly designation given during the initial interpretation of the aeromagnetic data

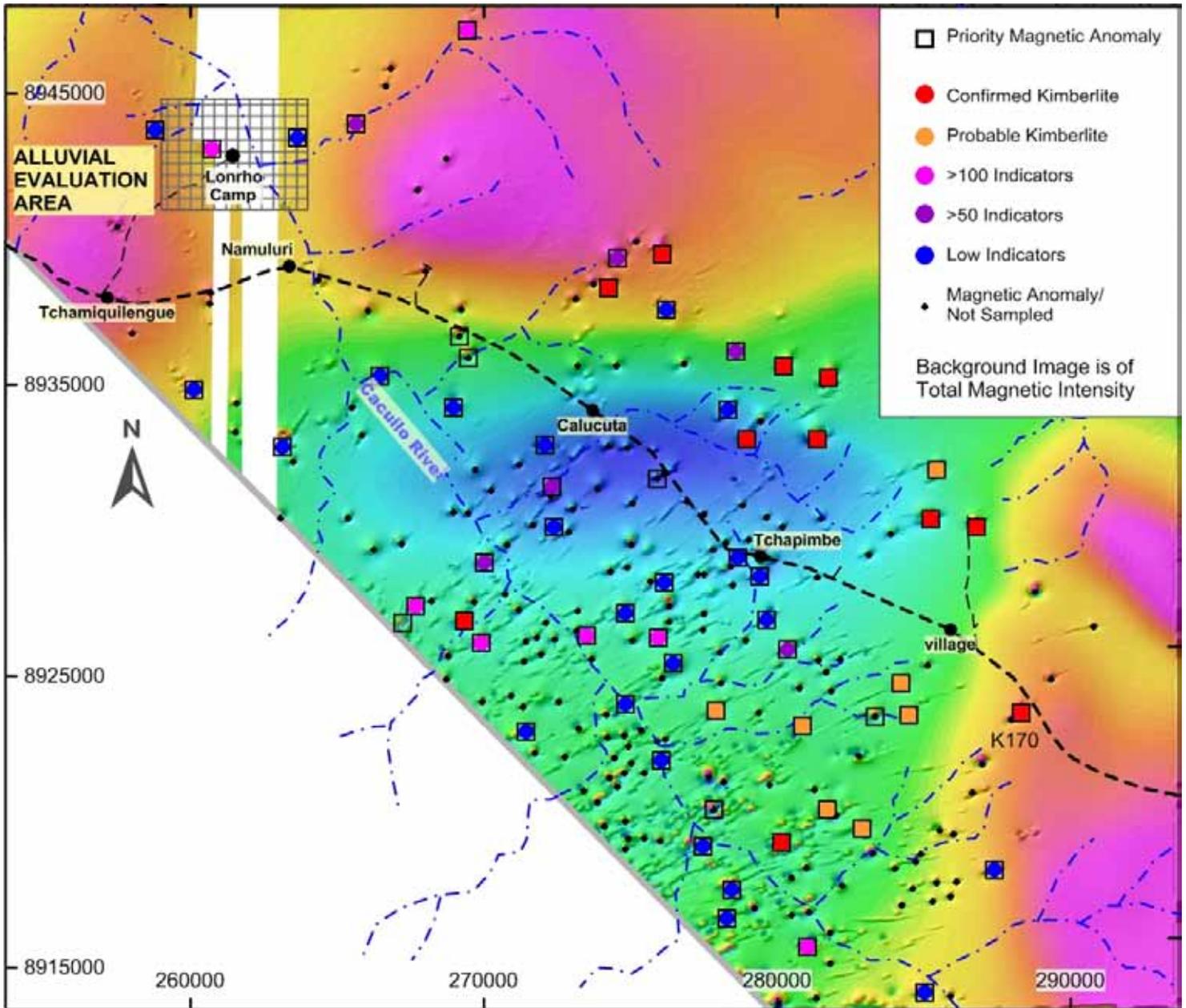


Figure 1 – Aeromagnetic Image Showing Priority Kimberlite Targets and Surface Sampling Results

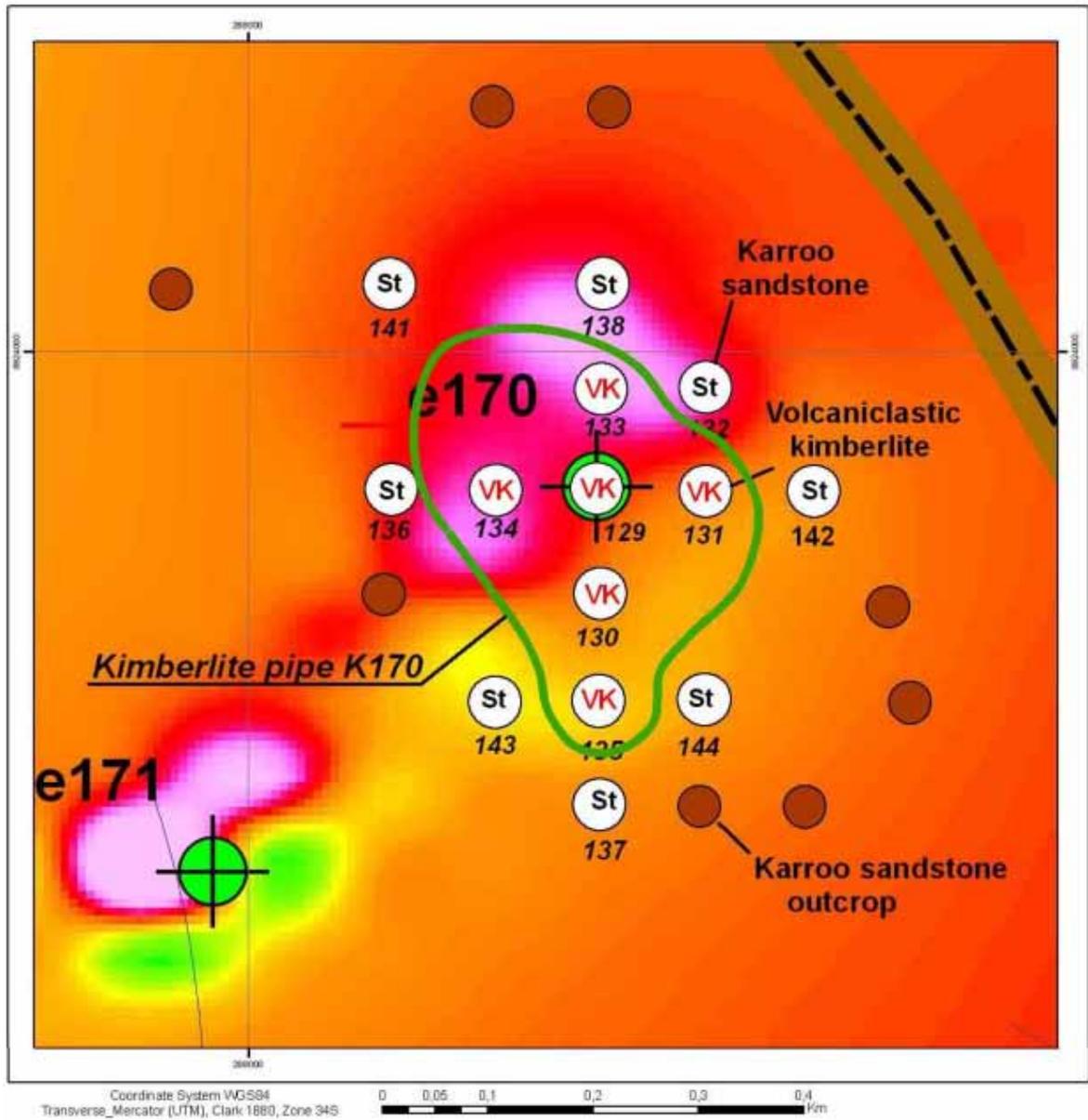


Figure 2 – Location of Exploration Pits on the K170 Kimberlite



Figure 3 – Pit 129 on K170 Kimberlite



ALLUVIAL DIAMOND PROGRAM

Lonrho's alluvial program involves the ongoing evaluation of diamondiferous gravels within the valley of the Caculo River located in the western part of the Lulo Concession (Figure 4). While a variety of different diamondiferous gravels occur within the valley, the Company is primarily targeting the diamond-rich gravels of an ancient sedimentary unit known as the Calonda Formation. Lonrho believes the diamond-rich gravels of the Calonda Formation will be widely distributed throughout the Lulo Concession.

The Calonda Formation is usually covered by a significant thickness of wind-blown (aeolian) Kalahari sand. However, within the Caculo River Valley, most of the Kalahari sand has been removed by erosion, which has provided the Company with an accessible window where the Calonda gravels can be more easily evaluated.

Lonrho is attempting to identify a commercial alluvial diamond resource along an 8km stretch of the Caculo River valley and is undertaking a bulk sampling program to establish diamond grade and value parameters for the gravels within the area. Early sampling has achieved some spectacular results.

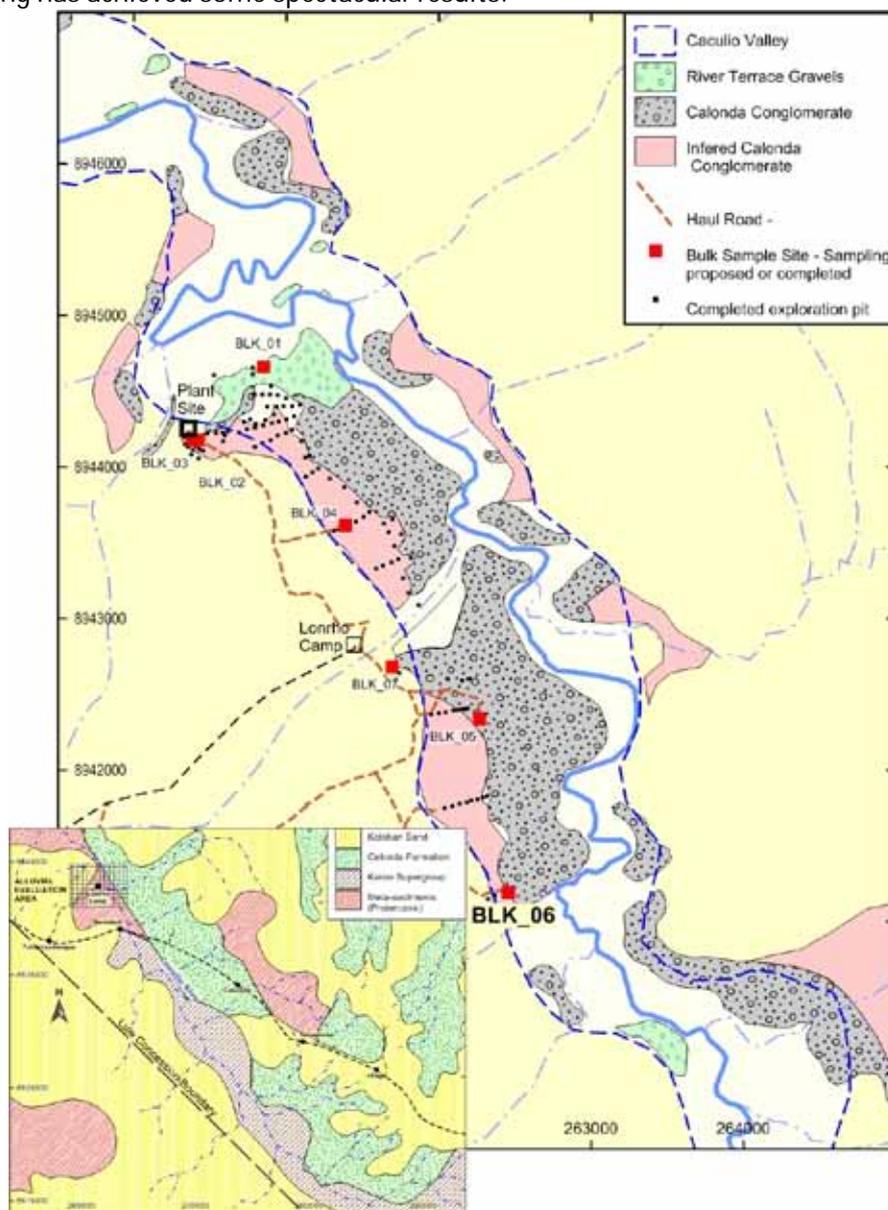


Figure 4 - Location of Alluvial Sampling Area and Bulk Sample Pits



QUARTERLY REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2012

The onset of the Angolan wet season slowed progress on Lonrho's alluvial diamond programs during the Quarter, though the Company was still successful in recovering more gem quality diamonds.

Processing of the BLK_06 bulk sample was completed during the Quarter with a total of 458 cubic metres of gravel treated through the DMS plant. From this material, Lonrho recovered 116 diamonds weighing a total of 183.8 carats.

The final grade for BLK_06 was 40.16 carats per hundred cubic metres (cphm) with an average diamond size of 1.58 carats. The largest diamond recovered weighed 53.2 carats, while another 7 diamonds recovered from this sample weighed between 5 and 13.7 carats. Most of the diamonds from the Lulo area are of gem quality.

Processing of BLK_04 was also completed during the quarter. The highlight of this work was the recovery of a 5.05 carat diamond. A total of 256 cubic metres of BLK_04 has been processed with 10 diamonds weighing 9.2 carats recovered.

During the Quarter Lonrho also excavated and commenced processing sample BLK_07 (Figures 4 and 5). This sample tested kimberlite indicator-rich lateritic gravels which are much younger than Calonda Formation and are often the product of re-working of the Calonda gravels. To date 113 cubic metres of this sample have been processed with 14 diamonds weighing 6.1 carats recovered. The Company is encouraged by the diamond grade of this sample (5.34 cphm) which is high for this lateritic gravel variety.



Figure 5 – Bulk Sample Pit BLK_07



QUARTERLY REPORT FOR THE PERIOD ENDED 29 FEBRUARY 2012

A summary of Lonrho's alluvial processing operations in the Lulo Concession is presented in Table 1 below.

Sample Number	Gravel Volume (m ³)	Size Distribution ¹				Number of Diamonds ct	Diamond Weight ct	Average Size ct	Grade ² ct/100m ³	Largest Diamond ct
		<1ct	1-2ct	2-5ct	>5ct					
BLK-01	422	5	2			7	4.8	0.69	1.14	1.45
BLK-02	293	33	7	3	1	44	47.6	1.08	16.25	22.25
BLK-03	276	30	6	4		40	31.0	0.78	11.23	4.25
BLK-04	256	8		1	1	10	9.2	0.92	3.57	5.05
BLK-05	124	6	1			7	2.5	0.36	2.02	1.50
BLK_06	458	77	21	11	7	116	183.8	1.58	40.16	53.20
BLK_07	113	14				14	6.1	0.43	5.34	0.85
Notes:	1.	Lonrho is treating gravel in the +2mm -34mm size range.								
	2.	Grade is quoted in carats per 100 cubic metres of gravel.								

Lonrho will continue its evaluation of alluvial gravels within the Cacuilu River valley over the coming year, in tandem with the kimberlite exploration program. The Company is hoping to define a commercial diamond resource and establish mining leases in the area. The new \$3.5 million DMS plant will speed up sample processing.

CORPORATE

On 1 March 2012, the Company announced it had completed the \$12.73 million capital raising to fund the new kimberlite exploration program at the Lulo Concession.

This total included shares taken up by Lonrho shareholders in a non-renounceable entitlements issue and the placement of the shortfall from this issue.

The non-renounceable rights issue involved the issue of up to 1,273,731,500 new shares at an issue price of A\$0.01 per share, with one option attached to each share for no consideration.

As announced to the ASX on 5 December 2011, the Company received acceptances from shareholders for 276,800,907 shares in the entitlement issue, raising a total of \$2,768,009.

On 1 March 2012, Lonrho announced it had completed the processing of shortfall applications for 996,930,593 shares, raising a total of \$9,969,305. The placement of the shortfall stock was made in accordance with the Offer Document lodged with the ASX on 31 October 2011.

On 27 March 2012, Lonrho announced to the ASX that former Rio Tinto Diamonds Managing Director Gordon Gilchrist had been appointed to the Board as Non-Executive Chairman. The Company also announced that Chairman David Lenigas and Non-Executive Director Geoffrey White had retired from their respective Board positions.

Mr Lenigas and Mr White were representatives of Lonrho Mining's biggest shareholder, African focused conglomerate Lonrho Plc. The \$12.7 million capital raising undertaken to fund the kimberlite exploration program reduced Lonrho Plc's shareholding in the Company from 13.96 percent to 8.52 percent.



As noted in the 27 March announcement, Mr Gilchrist brings an enormous wealth of experience to the Lonrho Board. In 1993, Mr Gilchrist was appointed Managing Director of Argyle Diamond Mines in Western Australia, a position he held until 2002. During that time, Argyle grew to become the world's biggest diamond producer, by volume. Mr Gilchrist then became the founding Managing Director of Rio Tinto Diamonds, based out of Antwerp in Belgium, and served in that capacity until 2005.

For further information, contact:

MILES KENNEDY
MANAGING DIRECTOR
LONRHO MINING LIMITED

Tel: +61-8 9489 9200

Competent Persons Statement

Information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by David Jones BSc (Hons) MSc of Ascidian Prospecting Pty Ltd, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy and Manfred Marx BSc G Dip Env Sc, FAusIMM. Mr Jones is a director of Lonrho Mining Limited. Messrs Jones and Marx have sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Messrs Jones and Marx consent to the inclusion in the report of the matters based on this information in the form and context in which it appears.