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## LONRHO MINING LIMITED (ASX: LOM) QUARTERLY REPORT FOR PERIOD ENDED 30 NOVEMBER 2011

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### HIGHLIGHTS

- Recovery of a gem-quality 53.2 carat diamond from the Lulo Project, Angola.
- 115 diamonds weighing 183.7 carats recovered from ongoing processing of alluvial gravels from bulk sample BLK\_06, producing an exceptional diamond grade of 46.1 carats per 100 cubic metres.
- Revised kimberlite exploration program to focus on 61 priority targets identified by diamond expert Manfred Marx.
- Kimberlite work program approved by JV partner Endiama in December 2011.
- Three kimberlites recognised from prospecting operations to be bulk sampled in early 2012.
- Total of 21.5km of roads completed to access bulk sample pits and kimberlite targets.
- \$US1.4 million bond matter resolved with Endiama.



*Excavation of bulk sample no 6 pit*



## **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 3,000km<sup>2</sup> 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 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 identified 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, which is 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.

## **ALLUVIAL BULK SAMPLING PROGRAM**

Lonrho is conducting exploration to evaluate diamondiferous alluvial gravels within the valley of the Caculo River in the western part of the Lulo Concession (see Figure 1).

The Company's alluvial bulk sampling program met with significant success in the quarter, with the major highlight being the recovery from BLK\_06 of a spectacular pale yellow diamond weighing 53.2 carats. A 13.7 carat diamond was also recovered from BLK\_06 along with five other stones weighing more than 5 carats.

The 53.2 carat stone is biggest recovered by Lonrho since the Company began treating alluvial gravels through its Dense Media Separation (DMS) plant at Lulo last year. It is more than twice the size of the 22.2 carat stone which Lonrho recovered from the BLK\_02 bulk sample in November 2010.

The recovery of the 53.2 carat stone from BLK\_06 has given the Company confidence that the kimberlitic source of the gem-quality stone is nearby.



53.2 carats

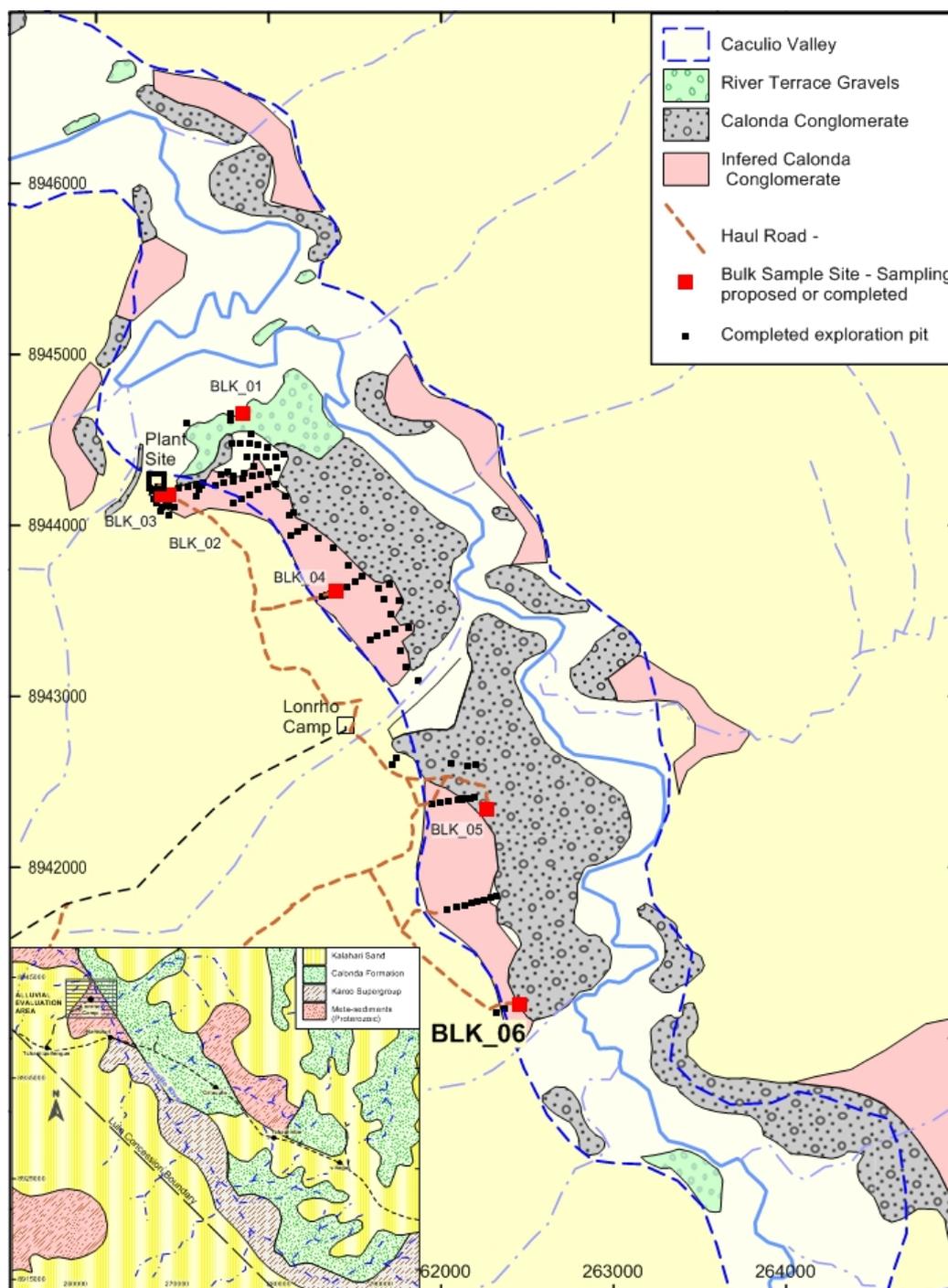


Figure 1 – Location of Alluvial Sampling Area and Bulk Sample Pits



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The BLK\_06 bulk sample site was selected after 24 small pits dug in the area revealed a significant 2 metre-thick Calonda Formation gravel horizon beneath 4 metres of clayey sand and laterite.

The southern access road constructed during the previous quarter was used to get excavators and trucks into the BLK\_06 area.

A total of 510 cubic metres of this thick gravel occurrence was excavated from BLK\_06 and trucked to Lonrho's DMS plant. By the end of November quarter, 398 cubic metres of that material from BLK\_06 had been processed through the DMS plant. From this, the Company has recovered 115 diamonds weighing a total of 183.75 carats.

This represents an exceptional average grade of 46.19 carats per hundred cubic metres. Overall, the average stone size from the BLK\_06 bulk sample is a remarkable 1.6 carats.

A summary of the results for bulk sampling operations to date is shown below in Table 1.

**Table 1**  
**SUMMARY OF BULK SAMPLING RESULTS**

Sample Number	Gravel Volume (m <sup>3</sup> )	Size Distribution <sup>1</sup>				Number of Diamonds	Diamond Weight (ct)	Average Size (ct)	Grade <sup>2</sup> (ct/100m <sup>3</sup> )	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	16.23	22.25
BLK-03	276	30	6	4		40	31	0.78	11.23	4.25
BLK-04	157	6		1		7	3.5	0.50	2.23	2.35
"BLK-05"	124	6	1			7	2.5	0.36	2.02	1.50
BLK_06 <sup>4</sup>	398	76	21	11	7	115	183.75	1.60	46.19	53.20

Notes:

- 1) Lonrho is treating gravel in the +2mm -34mm size range
- 2) Grade is quoted in carats per 100 cubic metres of gravel
- 3) BLK-05 was not an excavated bulk sample – during access construction material from garimpeiro pits was identified and tested
- 4) Processing of BLK\_06 is not complete

Access road construction and upgrading also continued during the quarter. This program is required to enable the Company to operate successfully during the Angolan wet season, which has now commenced. Lonrho has now constructed or upgraded a total of 21.5 km of roads. In recent months these operations have focused on the main access track from the Main National Road to the Company's base camp.

**KIMBERLITE EXPLORATION PROGRAM**

In addition to its ongoing alluvial operations, Lonrho is preparing a major kimberlite exploration program on the Lulo Concession. This program, which includes drilling and bulk sampling of priority kimberlite targets, was detailed by the Company in the previous quarter.

The kimberlite work program was approved by Endiama on 7 December 2011.

It will focus on 61 priority kimberlite targets identified within the Lulo Concession in a report on the economic viability of the Lulo Project undertaken by international diamond expert Manfred Marx.



## QUARTERLY REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2011

In his review, which was released with Lonrho's quarterly report for the period ended 31 May 2011, Mr Marx concluded that based on both historical and geological grounds, he believed that Angola was one of the most prospective diamond exploration areas in the world and that Lulo was one of the most prospective projects, at this stage of its development, in Angola.

Mr Marx identified the 170-million carat Catoca diamond mine as the target model for Lonrho's kimberlite exploration program. Located about 150km east of Lulo, the 60-hectare Catoca mine is considered the third biggest kimberlite mine in the world.

The 61 priority targets selected by Mr Marx are among 247 magnetic anomalies identified from an aeromagnetic survey conducted over one third of the Lulo Concession in 2008 (see Figure 2).

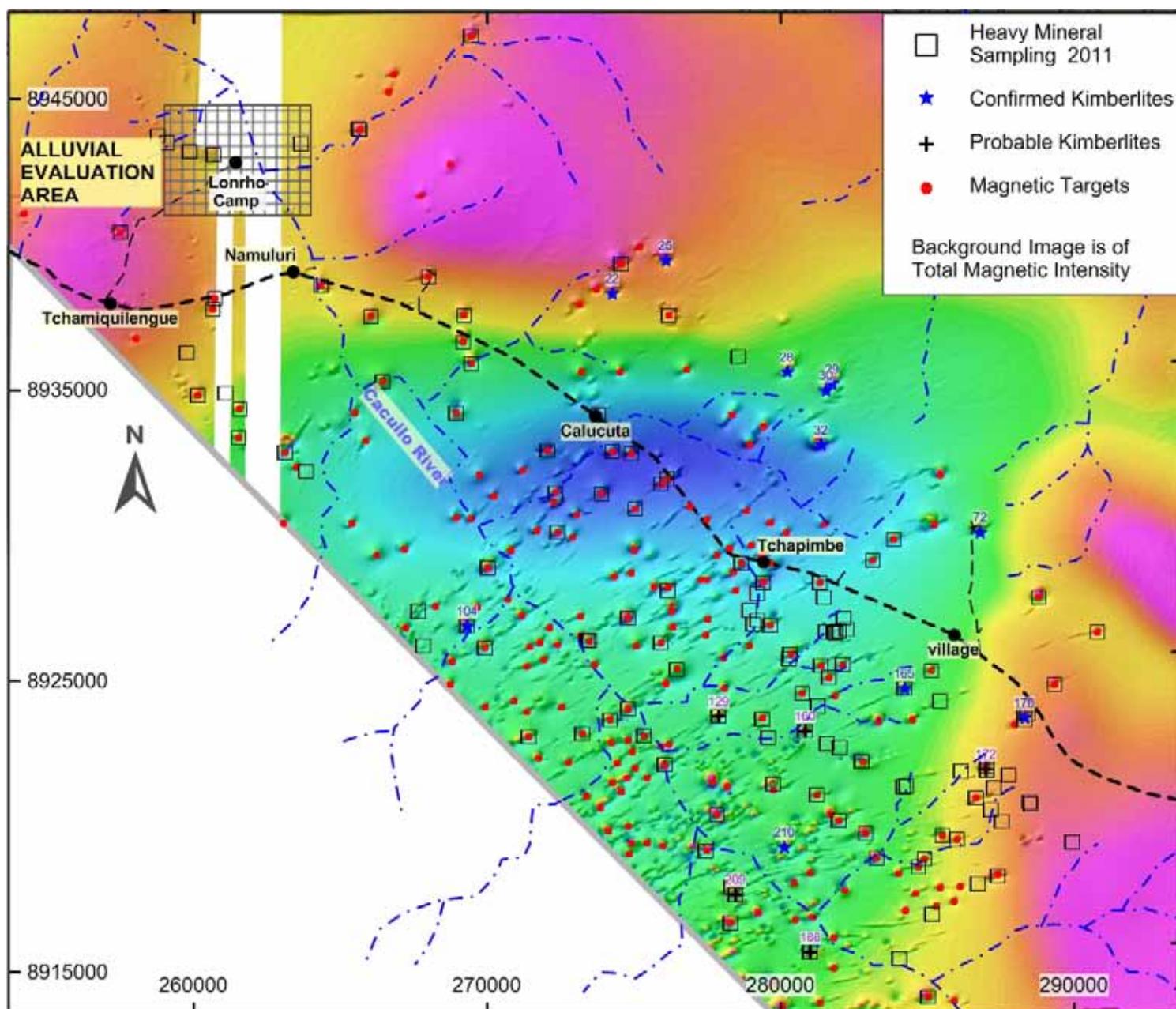


Figure 2 – Lulo Project Surface Sampling and Kimberlite locations



## QUARTERLY REPORT FOR THE PERIOD ENDED 30 NOVEMBER 2011

Mr Marx concluded that most of the 247 magnetic anomalies were likely to be classified as kimberlites. This view was based on the magnetic signatures of the 24 known kimberlite pipes within this province at Lulo, supported by surface indicator mineral and diamond distribution patterns.

During the quarter, Lonrho continued a surface sampling program covering the 61 priority kimberlite targets selected by Mr Marx. In addition, the Company collected an additional 98 stream and loam samples from a number of magnetic anomalies. The samples were concentrated in the field and shipped to laboratories in South Africa for detailed mineralogical studies. The locations of the surface samples are shown in Figure 2.

Significantly, during the course of the Company's prospecting operations, three new kimberlites were recognised. Kimberlitic rocks were identified in outcrop, or in exploration pits, at SE104, SE165 and SE170 (see Figure 2). These kimberlite discoveries are considered particularly significant and reinforce the Company's contention that most of the 247 magnetic anomalies identified within the Lulo Concession will prove to be kimberlites. The identification of kimberlitic rocks at these localities considerably simplifies Lonrho's proposed exploration programs for these areas and will allow early bulk sampling of these kimberlites during 2012.



*Anomaly SE104 weathered kimberlite*



*Anomaly SE104 pit on kimberlite*

In addition to the 3 confirmed kimberlites, the high concentration and/or type of kimberlitic indicators recorded in surface samples from SE129, SE160, SE172, SE188 and SE209 (see Figure 2) suggest that these also represent shallowly buried kimberlites.

Lonrho's surface sampling program will continue during the coming quarter, but is likely to be partially disrupted by the high rainfall. Results from laboratory studies of the samples collected during the quarter will be received during the coming months.

### **CORPORATE**

On 31 October 2011, Lonrho announced plans to raise up to \$12.7 million, less costs, to fund an intensive program to explore the 61 priority kimberlite targets identified by Mr Marx.

This capital raising was undertaken as a non-renounceable entitlement issue of shares to Lonrho shareholders on the basis of one new share for every existing share held at an issue price of \$0.01 with one free option attached to every new share issued.



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Indian Ocean Capital was appointed lead manager to the issue. As announced to the ASX on 5 December 2011, the Company received acceptances for 276,800,907 shares, out of a possible 1,273,731,500 shares, raising gross proceeds of \$2,768,009.

The directors of Lonrho have three months in which to deal with the shortfall from the entitlement issue in accordance with the terms of the Offer Document. Discussions with a number of potential investors are ongoing.

During the quarter, the Company finalised negotiations with Endiama regarding the \$US1.4 million bond which was lodged by Lonrho when the original Lulo joint venture was signed. The \$US1.4 million will be credited as exploration expenditure incurred by Lonrho with \$US1 million applied to the kimberlite permit and \$US400,000 applied to the alluvial permit. As noted earlier in this report, in the event that a mining operation is commenced at Lulo, Lonrho is entitled to first recover all of its exploration and development costs before the proceeds are shared proportionally between the stakeholders.

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### **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.