



**LONRHO MINING LIMITED (ASX: LOM)
QUARTERLY REPORT FOR PERIOD ENDED 31 AUGUST 2012**

HIGHLIGHTS

Lulo Diamond Concession, Angola

- **Discovery of a 131.4 carat diamond and a 38.1 carat stone in alluvial bulk sample BLK_08**
- **131.4 carat stone independently valued at \$US3.51 million**
- **Valuation report states the 131.4 carat stone displays many features of a rare Type IIa diamond, similar to some of the world's top flawless gems**
- **Parcel of 291 Lulo alluvial diamonds, excluding the 131.4 carat stone, achieves a world class value of \$US1,106 per carat, enhancing economics of an alluvial diamond mining operation at Lulo**
- **Bauer drilling program commences at Lulo to locate the kimberlite source, or sources, of the rare alluvial diamonds being discovered**
- **Drilling at kimberlite Se12 identifies resedimented volcanoclastic kimberlite (RVK) in core sample**
- **Detailed review of all magnetic anomalies near the 131.4 carat diamond discovery and new aeromagnetic survey expected to increase the number of priority kimberlite targets to be drilled at Lulo**
- **Discussions with potential strategic investors at an advanced stage**



Lulo diamonds

OVERVIEW

Lonrho Mining Limited (ASX: LOM) is exploring for diamonds at the Lulo Diamond Concession in Angola. Lulo covers an area of 3,000km² and is located in the Cuango River Basin within Angola's Lunda Norte Province.

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.

After more than four years of regional exploration and surface sampling, Lonrho has commenced the most critical and exciting exploration phase at Lulo. This involves the drilling and bulk sampling of 61 priority kimberlite targets to find the source, or sources, of world class alluvial diamonds of up to 131.4 carats which have been recovered from the Lulo concession.

Lulo is surrounded by concessions held by some of the world's biggest diamond miners and is located about 150km west of the Catoca diamond mine. Operated by Russian giant Alrosa, Catoca is considered the fourth largest kimberlite mine in the world.

The Lulo Project is operated as a joint venture between Lonrho and 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.

KIMBERLITE DIAMOND PROGRAM

In September 2012, the long awaited Bauer kimberlite drilling program commenced at Lulo (see ASX announcement 19 September 2012).

This drilling program aims to locate and evaluate the source, or sources, of the large high-quality alluvial diamonds which Lonrho has been recovering from its Lulo concession, including the 131.4 carat stone discovered in August 2012 from the BLK_08 bulk sample.

Over the next 12 to 18 months, Lonrho plans to test 61 priority kimberlite targets identified from aeromagnetic and surface sampling data. This list of priority targets is expected to increase once Lonrho completes a new aeromagnetic survey and finalises a detailed review of all the magnetic anomalies close to BLK_08.

The kimberlite drilling program is based on a review of the Lulo Project undertaken by international diamond expert Manfred Marx in 2011¹. Mr Marx selected the 61 priority kimberlite targets from 247 magnetic anomalies identified from an aeromagnetic survey flown over one-third of the Lulo concession in 2008 (Figure 1).

¹ Manfred Marx (2011) The Economic Potential of the Lulo Project, Lunda Norte Province, Angola.

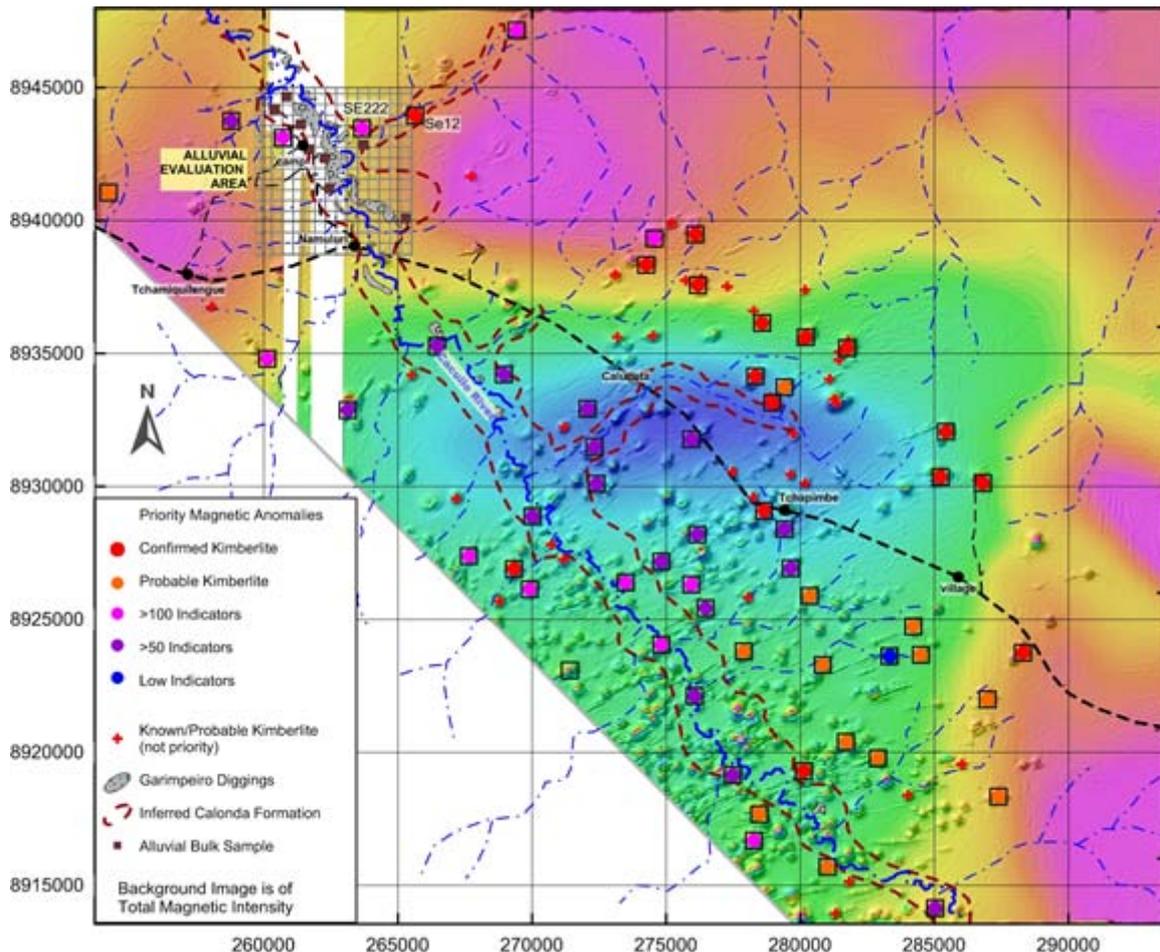


Figure 1
Location of priority targets and other known kimberlites within the Lulo Concession

The main component of the kimberlite exploration program is a \$2.2 million drilling and sampling program being undertaken by Bauer Technologies. The Bauer drilling rig arrived on site at Lulo during the Quarter and has commenced drilling on the Se12 kimberlite.

Bauer’s Prakla machine (Figure 2) is a multi-purpose rig that can drill both narrow-diameter core (or diamond) holes and wide-diameter (44cm) reverse circulation holes. Core holes are designed to locate the kimberlite, while wide-diameter RC holes are drilled to collect small bulk samples of the kimberlite to test for diamonds.

The Bauer rig uses a large tri-cone roller bit to drill the kimberlite, with sample carried to the surface as dense mud slurry. Coarser drill chips (larger than 1mm) are recovered from the re-circulating mud drilling medium and stored in large bags. These bags are trucked to Lonrho’s Dense Media Separation (DMS) plant and Flowsort X-ray unit for processing to recover diamonds.



Figure 2
Bauer rig drilling a 17.5" (44cm) hole on Se12

Because surface pitting had already confirmed Se12 as a kimberlite, it was decided for operational reasons to first drill two wide-diameter sampling holes, to a depth of 50m.

Drill samples from Se12 are being transported to Lonrho's DMS plant for processing.

Having completed the two wide-diameter holes at Se12, the Bauer rig has now commenced core drilling. The kimberlitic material recovered from Se12 is shown in Figure 4. It is a coarse clastic rock comprised of angular fragments of weathered kimberlite and a variety of sedimentary lithologies in a clayey to sandy matrix.



Figure 3
Coarse drill chips recovered from the drilling mud are stored in large bags (left). The bags are trucked to the DMS plant to recover diamonds (right)



Figure 4
Drill core from Se12

Site geologists who are familiar with other Angolan kimberlites believe this material is resedimented volcanoclastic kimberlite (RVK). This coarse grained fragmental sedimentary deposit is typically found near the sides, or base, of a kimberlite crater lake. The rock is formed by slumping of fragmental kimberlitic material back into the volcanic crater.

The RVK deposits are part of the crater-lake sequence that deposits in the volcanic crater formed during the explosive eruption of the kimberlites. In other African kimberlites (including Catoca) the RVK deposits are commercially diamondiferous with grades often equivalent to, or greater than, the original kimberlite.

After completing the core hole on Se12, the Bauer drill rig will move to Se222, which is a very large (~95 ha) magnetic target to the west (Figures 5 and 8).

Se222 lies close to the Caculo River and has small areas with diggings by artisanal miners (garimpeiros) along its western flank.

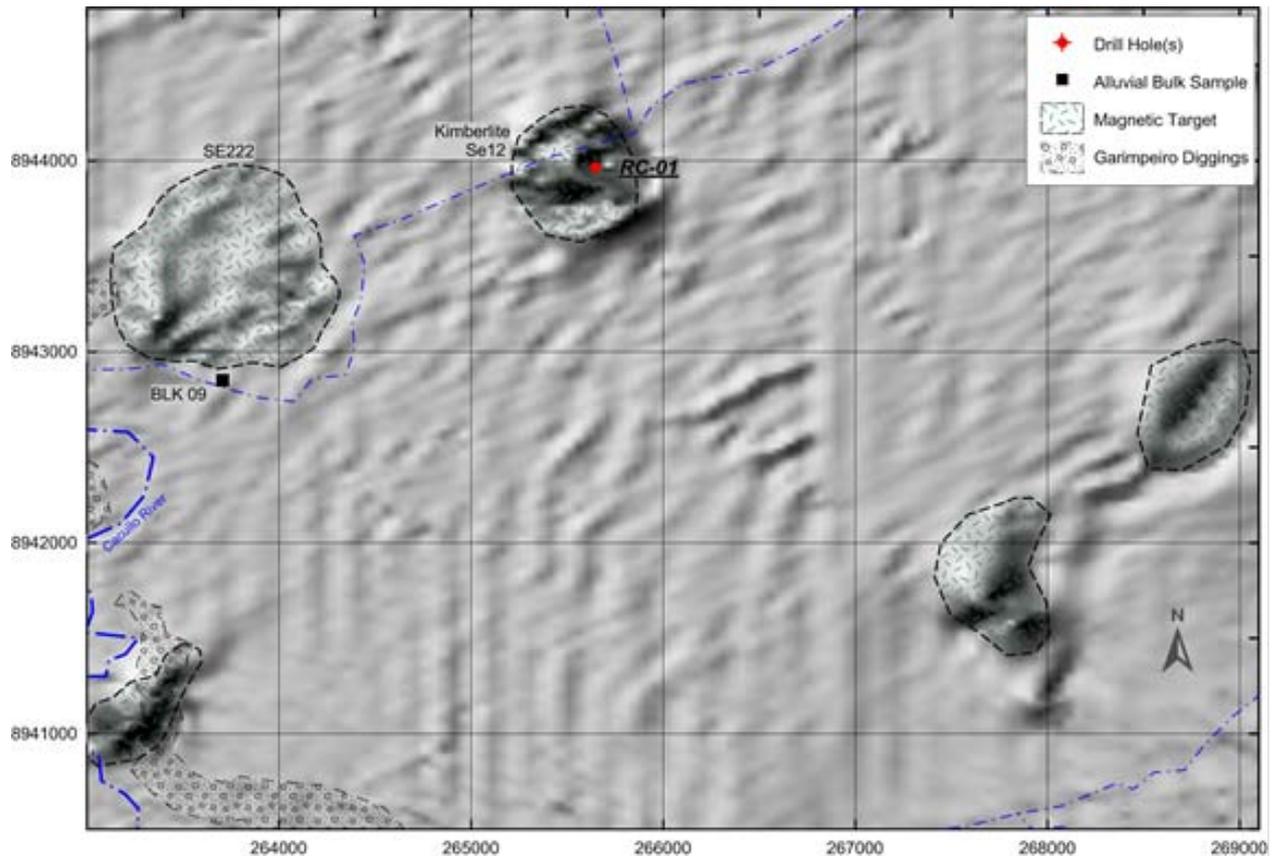


Figure 5
Priority kimberlite targets Se12 and Se22

Lonrho is also continuing its surface pitting and sampling programs on priority targets and other kimberlite targets within the Lulo concession. Surface sampling during the Quarter has confirmed that an additional 20 magnetic targets are either confirmed kimberlites (kimberlite identified during mapping/pitting) or probable kimberlites (based on indicator type, surface morphology and distribution frequency).

The locations of all the known and probable kimberlites identified to date within the Lulo concession are shown in Figure 1.

Of the 61 priority targets, 30 are now classified as confirmed or probable kimberlites. A total of 58 of the 247 magnetic targets identified within the Lulo concession in the 2008 aeromagnetic survey are now classified as confirmed or probable kimberlites.

Lonrho is expecting additional earthmoving equipment to arrive on site at Lulo during the next few weeks. This equipment will be used to pit and sample a number of the priority kimberlites which are only covered by a thin soil veneer.

Meanwhile, the kimberlite pitting and drilling program is also exposing new alluvial gravel areas for Lulo to test.

Exploration pitting at the Se222 kimberlite target during the Quarter exposed a thin sandy gravel layer, rich in kimberlite indicator minerals. It is likely this material has been washed from both Se12 and Se222.

A 56m³ bulk sample of the alluvial material, designated BLK_09, (Figures 5 and 8) was excavated and trucked to Lonrho's DMS plant, where it is awaiting processing.

Review of Additional Kimberlite Targets

Because large alluvial diamonds like the 131.4 carat stone recovered from BLK_08 are rarely transported far from their source, it is likely that the kimberlite which shed this diamond is located within a few kilometres of BLK_08.

For this reason, the Company is conducting a review of all the magnetic targets near the BLK_08 bulk sample site which are not already included in the priority list of 61 selected by Manfred Marx.

As it stands, three of the 61 priority kimberlite targets at Lulo (Se12, Se222 and Se21) are located within a 5km radius of BLK_08, along with one other known kimberlite (Se13) and nine other magnetic targets.

Within a 10km radius of BLK_08 there are 13 priority targets and approximately 35 other magnetic targets (including a number of known kimberlites).

Significantly, there is ~70km² strip very close to BLK_08 which was not covered in the original aeromagnetic survey flown over the Lulo concession in 2008 (Figure 6), or where the data was of poor quality.

In consultation with joint venture partner Endiama, Lonrho is planning to complete a low level aeromagnetic survey over all the areas not covered by the 2008 survey. Lonrho has agreed that Fugro Airborne Surveys, Africa, will fly this survey.

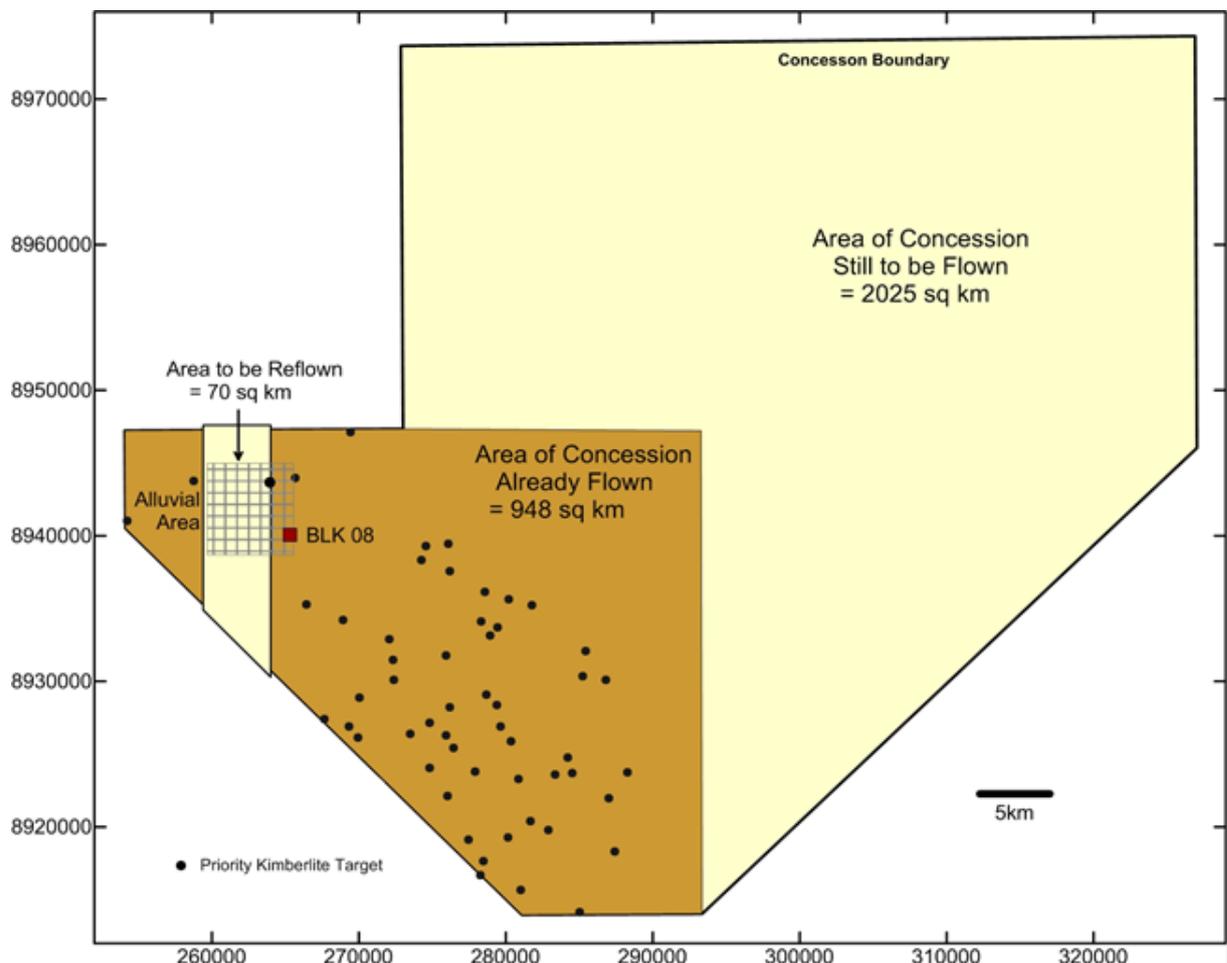


Figure 6
Proposed aeromagnetic survey area

The discovery of the 131.4 carat diamond at BLK_08 means this new aeromagnetic survey has taken on added significance. The timing of this survey will depend on aircraft availability and weather conditions.

ALLUVIAL DIAMOND PROGRAM

In tandem with its kimberlite drilling program, Lonrho continues to evaluate diamondiferous alluvial gravels within the valley of the Caculo River located in the western part of the Lulo Concession (Figures 1 & 8).

The highlight of this alluvial sampling program was the recovery of the 131.4 carat diamond from BLK_08, which was by far the biggest gem recovered by Lonrho since the Company began treating alluvial gravels through its DMS plant in 2010.

The alluvial diamond deposits in the Caculo valley were initially worked by local garimpeiros (artisanal miners) and a thriving but uncontrolled diamond trade existed in the area.

While there are no official production records for this artisanal mining, there is anecdotal evidence of large diamonds being recovered. The recovery of the 131.4 carat diamond by Lonrho clearly supports this anecdotal evidence.

It is difficult to overstate the commercial significance of finding these very large, high-value stones. With occasional stones of this value being recovered, the overall grade required to make an alluvial deposit economic becomes much less important.



Figure 7

131.4 carat diamond valued at \$US3.51 million recovered from BLK_08

As in many parts of Angola, economic concentrations of diamonds occur within an ancient sedimentary unit known as the Calonda Formation. The Calonda Formation is a fluvial (river) sedimentary unit that was deposited about 90 million years ago; just after kimberlite emplacement. The Calonda Formation was subsequently covered and preserved by wind-blown sands of the Kalahari Formation.



Where diamondiferous kimberlites exist within the catchments of the rivers that deposited the Calonda Formation, commercial deposits of diamonds frequently accumulated. It is believed that the alluvial diamonds recovered in the Cacuilu valley have been eroded from one or more of the kimberlite pipes located inside the Lulo concession. Within the Cacuilu River valley, most of the Kalahari sand has been removed by erosion and has provided Lonrho with an accessible window where the Calonda gravels can be more readily evaluated.

Gravels of the Calonda Formation have been the primary target for Lonrho's alluvial exploration program. The Calonda gravels are significantly diamondiferous and thought to be widely distributed throughout the Lulo Concession.

The Cacuilu River has eroded through sections of Calonda Formation as well as a number of kimberlites. And the gravels deposited by the Cacuilu River are appreciably diamondiferous. While these younger (recent) gravels tend to be lower grade than the Calonda Formation gravels there are extensive deposits, within the valley of the Cacuilu. It is anticipated that occasional very large, high-value diamonds will occur within the recent gravels and Lonrho will need to re-evaluate its alluvial exploration program to make provision for these stones.

Lonrho has now completed the processing of gravels from BLK_08. The location of this bulk sample is shown in Figure 8 with details of the sample processing given in the table below.

Apart from the 131.4 carat stone, other large diamonds weighing 38.1 carats and 8.7 carats were also recovered from BLK_08.

Given that the sample treated comprised only 204m³, these results are considered spectacular. Overall the grade of BLK_08 was 92.68 carats per 100m³ (cphm) and the average diamond size was 7.88 carats.

Discounting the 131.4 carat stone, the sample grade was still an extremely encouraging 28.25cphm and the average stone size 2.5 carats.

Sample Number	Gravel Volume (m ³)	Size Distribution ¹				Number of Diamonds	Diamond Weight (ct)	Average Size (ct)	Grade ² (ct/100m ³)	Largest Diamond (ct)
		<1ct	1-2ct	2-5ct	>5ct					
BLK_08	204	20		1	3	24	189.2	7.88	92.68	131.50

Notes:

- 1) Lonrho are treating gravel in the +2mm -34mm size range.
- 2) Grade is quoted in carats per 100 cubic metres of gravel.

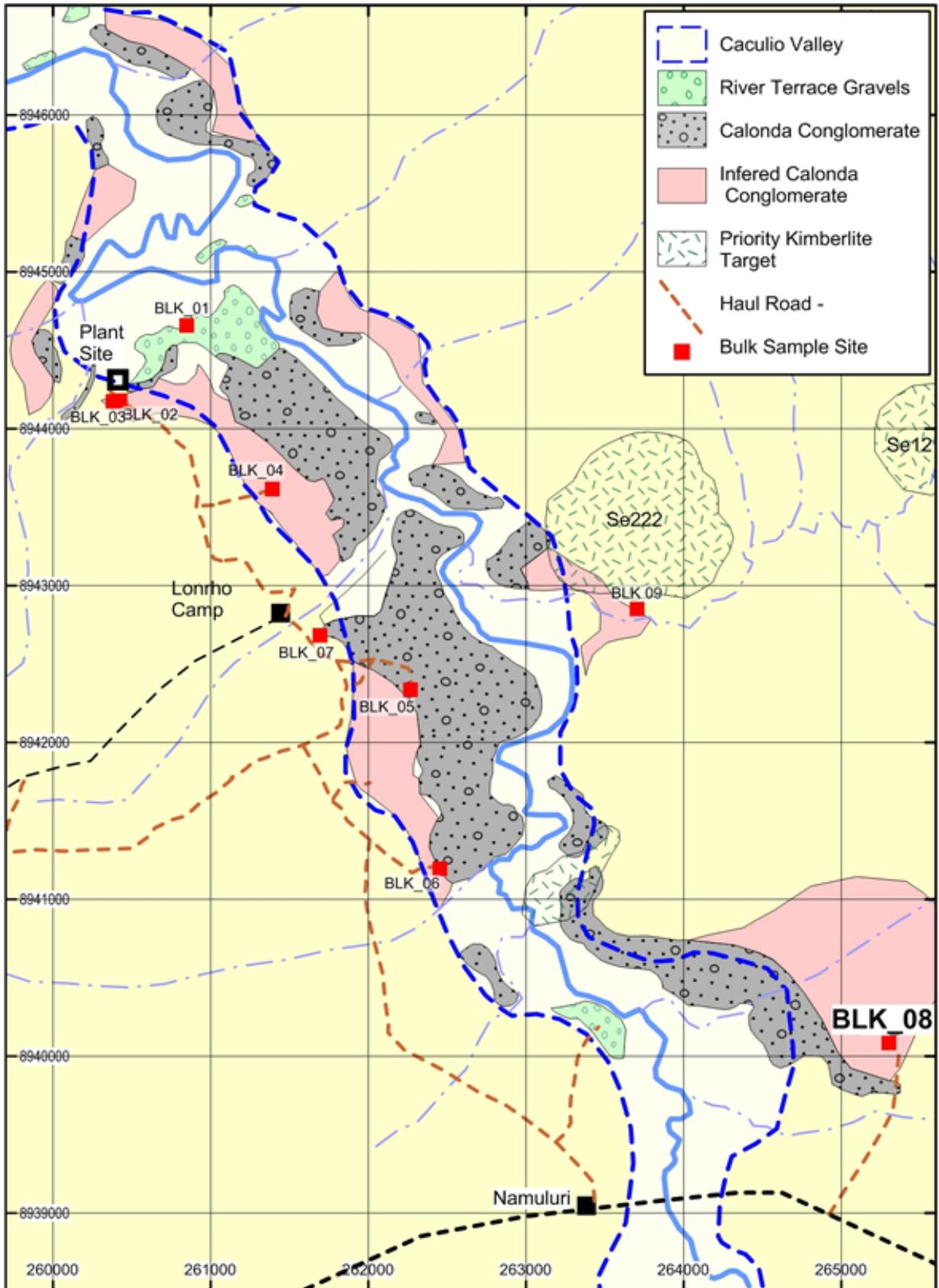


Figure 8
Alluvial sampling area – Location of bulk sample sites



Figure 9
(left) 1 carat diamonds and (right) larger diamonds with ruler scale

Independent Valuation of Lulo Diamonds

Following the discovery of the 131.4 carat diamond, a representative of Independent Diamond Valuers Pty Ltd (IDV) completed a valuation of diamonds recovered from the alluvial sampling program at Lulo. This valuation report was included by Lonrho in an ASX release on 6 September 2012.

The IDV valuation ascribed a total value of \$US3.91 million to 292 diamonds, weighing 495.7 carats. The diamonds had been acid washed immediately prior to the valuation. As is usual, acid washing removed surface stains and deposits from the diamonds and slightly reduced the carat weight.

IDV described the overall sample of diamonds from Lulo as “an attractive product which would be highly saleable”.

The extremely high average value ascribed to the 495.7 carats (\$7,904/carat) was heavily weighted by the exceptional 131.4 carat stone. Discounting this diamond as an “outlier”, the average value of the remaining 364.3 carats of diamonds was still \$US1,106/carat.

By world standards, this gives the Lulo diamonds an exceptionally high “run-of-mine” value.

Significantly, IDV also noted in its valuation report that the 131.4 carat diamond, valued at US\$3.5 million, had many features associated with rare Type IIa diamonds.

“The 131.4 carat diamond is an important stone, due to the size, white colour and good clarity,” the IDV report stated. “It has many features of a Type IIa diamond which would be extremely important for Project Lulo as a prospecting project going forward.”

“Type IIa diamonds are very scarce and account for less than 1.5% of all diamonds produced worldwide. Large top white Type IIa diamonds are the ultimate prize for prospectors, mine owners, diamantaires and investors. All the major white top flawless diamonds, like the Cullinan, De Beers Centenary and the Millennium Star, are all Type IIa stones.”

Lonrho is extremely encouraged by the preliminary valuation. The Company believes the overall high value of the diamonds - with a bonus of an occasional very large, high-value stone - significantly enhances the probability of an alluvial mining operation at Lulo.

CORPORATE

During the Quarter, Lonrho engaged Indian Ocean Capital to assist the board in identifying suitable strategic investors to advance the Company's kimberlite drilling program at Lulo.

As previously stated, Lonrho's kimberlite drilling program could be expanded if, as expected, the review of the magnetic targets near where the 131.4 carat diamond was discovered and the new aeromagnetic survey lead to an increase in the number of priority kimberlite targets.

Discussions with potential strategic investors are at an advanced stage.

During the Quarter, shareholders approved the issue to Lonrho Non-Executive Chairman and former Rio Tinto Diamonds Managing Director, Gordon Gilchrist, of 25,000,000 listed \$0.02 options, expiring 2 December 2013 and 25,000,000 unlisted \$0.03 options, expiring 2 December 2014 as part of a performance incentive of his remuneration package.

Shareholders also approved changing the Company's name from Lonrho Mining Limited to "Lucapa Diamond Company Limited". The name "Lonrho" reflected the former major shareholder Lonrho Plc, which is no longer a substantial shareholder in the Company.

The new name more aptly reflects the area and nature of the Company's interests and operations. More details regarding the transition to the new name will be provided shortly.

The Company welcomed Mr Mark Clements as Company Secretary following the retirement of long standing Company Secretary, Ms Jean Mathie.

A total of 135,629,982 listed \$0.15 options expired without exercise during the Quarter.

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.