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

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**HIGHLIGHTS**

**Lulo Diamond Concession, Angola**

- **Drilling and bulk sampling of 61 priority kimberlite targets set to begin at the Lulo Diamond Project, with BAUER rig on schedule to arrive on site next month (July 2012). Kimberlite exploration program represents the most exciting exploration phase in Lonrho's history.**
- **Kimberlite K170 to be bulk sampled after small diamond discovered.**
- **26 kimberlites now classified as confirmed or probable from ongoing sampling programs.**
- **Surface sampling confirms many priority kimberlites either outcrop or are close to surface, enabling sampling via excavator.**
- **Additional 15km of new roads built to provide drilling access to priority kimberlite targets.**
- **Alluvial diamond recoveries now exceed 300 carats.**



**BAUER rig for drilling priority kimberlite targets.  
Scheduled to arrive at Lulo in July 2012.**

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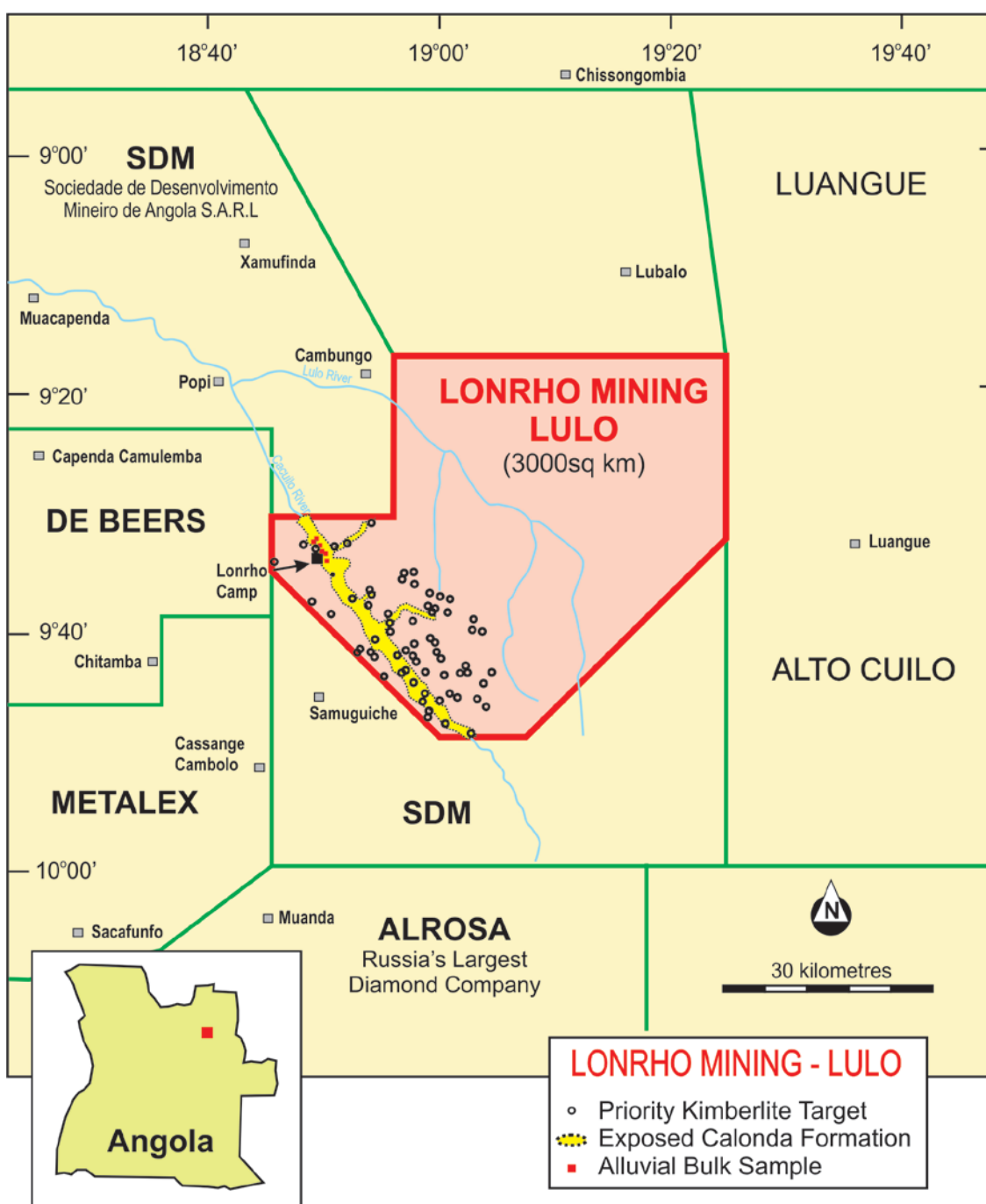


**OVERVIEW**

Lonrho Mining Limited (ASX: LOM) is exploring for diamonds at the Lulo Diamond Concession in Angola. Lulo covers an area of 3,000km<sup>2</sup> and is located in the Cuango River Basin within the Lunda Norte Province of north-eastern Angola in southern Africa. The project area is situated approximately 750km from Angola's capital city of Luanda and can be accessed via sealed road.

Lulo has world-class diamond exploration potential, with a major kimberlite field identified within the Concession and extensive diamond-bearing alluvials occurring along the Cacuilu and Lulo Rivers.

After a systematic four year exploration program, Lonrho is embarking on the most exciting exploration phase in the company's history. This involves the drilling and bulk sampling of 61 priority kimberlite targets at Lulo in a program which aims to find the source, or sources, of alluvial diamonds of up to 53.2 carats recovered from the Concession.



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Lulo is surrounded by concessions held by some of the world's biggest diamond miners and is located about 150km west of the 170-million carat Catoca diamond mine. Operated by Russian giant Alrosa, Catoca is considered the third 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.

Lonrho began recovering gem-quality alluvial diamonds from Lulo in late 2010 and received approval from Endiama for the kimberlite exploration program in December 2011.

### **KIMBERLITE EXPLORATION PROGRAM**

Lonrho has launched a major exploration and evaluation program targeting kimberlite pipes in one of the most exciting unexplored kimberlite provinces in the world.

During the current Quarter, the Company will begin drilling and sampling 61 priority kimberlite targets previously identified from the interpretation of aeromagnetic data and surface sampling. The locations of the priority kimberlite targets and their current exploration status are shown in Figure 1.

The quantity and quality of diamonds recovered from the alluvial bulk sampling programs at Lulo suggests that kimberlites within the Concession are likely to be significantly diamondiferous. Lonrho's aim is now to locate these kimberlite pipes.

The kimberlite exploration program represents the most significant phase for the Lulo Diamond Project. It is based on the report published in June 2011 by international diamond expert Manfred Marx entitled The Economic Potential of the Lulo Project, Lunda Norte Province, Angola.

Mr Marx studied aeromagnetic and earlier exploration 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 the third largest kimberlite mine in the world.

Lonrho received approval for the kimberlite exploration program from joint venture partner Endiama in December 2011. In March 2012, Lonrho completed a \$12.7 million capital raising which enabled the Company to order key items for the kimberlite exploration program. These items included a new 50 tonnes per hour Dense Media Separation (DMS) plant and additional Caterpillar earthmoving equipment, including a bulldozer, excavator, dump truck and two front end loaders.

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Front end of 50 Mtpa DMS plant

The centrepiece of the kimberlite exploration program will be a \$2.2 million drilling and sampling program to be undertaken by BAUER Technologies South Africa.

The BAUER drilling rig is being transported from Johannesburg and is on schedule to arrive on site at Lulo in July 2012.

The BAUER drill is a multi-purpose rig that will at first complete narrow-diameter core holes over the kimberlite targets. This initial drilling is to confirm the presence of kimberlite and, if this is successful, one or more 17.5 inch diameter holes will then be drilled to a maximum depth of 100m to extract samples of approximately 25 tonnes. The coarser drill chips (>1mm) from the wide-diameter holes will be collected and processed for diamonds through Lonrho's DMS plant.

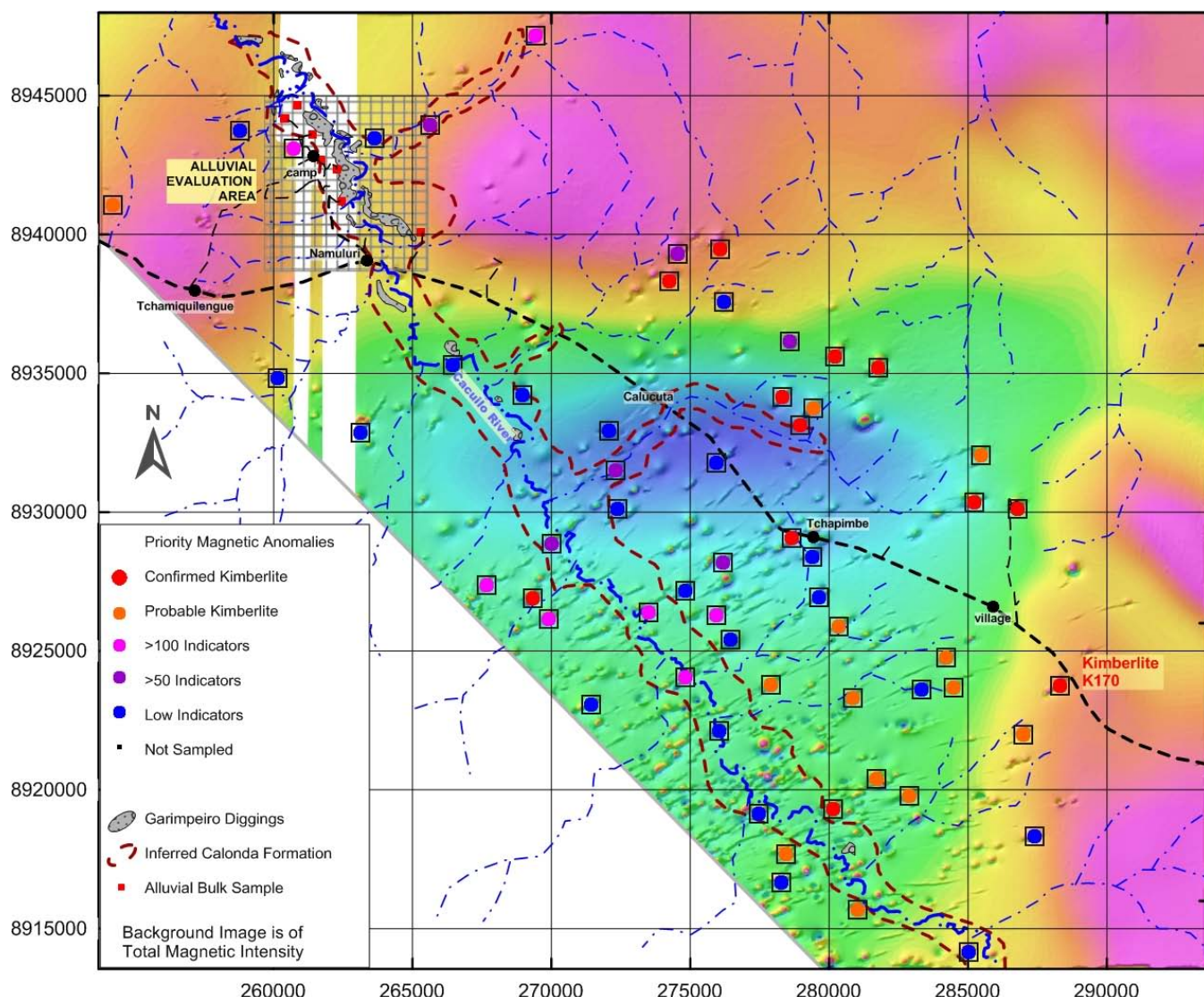
During the Quarter, Lonrho continued surface sampling programs over the priority kimberlite targets and also commenced surface pitting on a number of the more readily accessible targets.

Significantly, this surface sampling program has demonstrated that many of the kimberlites either outcrop or are only covered by a thin soil veneer. This will enable Lonrho to evaluate these pipes using surface excavations to augment the BAUER drilling.

In addition, Lonrho's surface sampling and shallow pitting programs have enabled 26 of the priority targets to be classified as either confirmed kimberlites (kimberlite identified during mapping/pitting) or probable kimberlites (based on indicator type, surface morphology and distribution frequency). This is up from 18 confirmed and/or probable kimberlites reported in the previous Quarter.

The Company expects the number of confirmed kimberlites to continue to increase as more work is undertaken on individual anomalies. At this stage, kimberlite has been recorded at all sites where sampling has penetrated below surficial cover and Calonda Formation.

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**Figure 1 – Regional Magnetics and Location of Priority Kimberlite Targets**

Lonrho has previously reported the discovery of the K170 kimberlite (Figures 1 and 2). During the Quarter, a small diamond was found in a heavy mineral sample collected from the same site.

Lonrho believes the microdiamond recovered from Pit 135 (Figure 2) at K170 demonstrates that this kimberlite pipe is positively diamondiferous. For this reason, Lonrho plans to collect an additional bulk sample from this site when an excavator can be mobilised to the area.

Lonrho also made significant progress during the Quarter building roads and bridges to provide access to the priority kimberlite targets. This meant slowing the alluvial diamond recovery operations to use the Company’s earthmoving equipment for this purpose.

Approximately 15km of new roads, and numerous small bridges, were constructed during the Quarter, which included a new drill access track and haul road to the Se12 and Se222 kimberlite targets, which are located to the north of Lulo.

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The Se12 and Se222 kimberlite targets are both large (>20ha) ring structures located immediately east (across the Cacuilo River) from Lonrho's plant site. They represent potential proximal sources for the large, high quality diamonds of up to 53.2 carats which Lonrho has recovered from the alluvial gravels at Lulo.

The additional earthmoving equipment which Lonrho has purchased will enable the Company to continue the construction of access roads to its priority kimberlite targets and also to start the collection and processing of bulk samples of kimberlite for treatment through the DMS plant.

When the initial aeromagnetic survey was flown over Lulo in 2008, artisanal miners (garimpeiros) were very active in areas near the current Lonrho camp site. At the time, it was considered inadvisable to allow a low-flying helicopter to operate in the vicinity. As a consequence, narrow strips within this area were not covered by the original aeromagnetic survey. Lonrho is currently negotiating with Fugro Airborne Surveys to fly the area missed in the initial survey and is hopeful this can be completed during the current Quarter. This could define more priority kimberlite targets close to the Lonrho camp site.

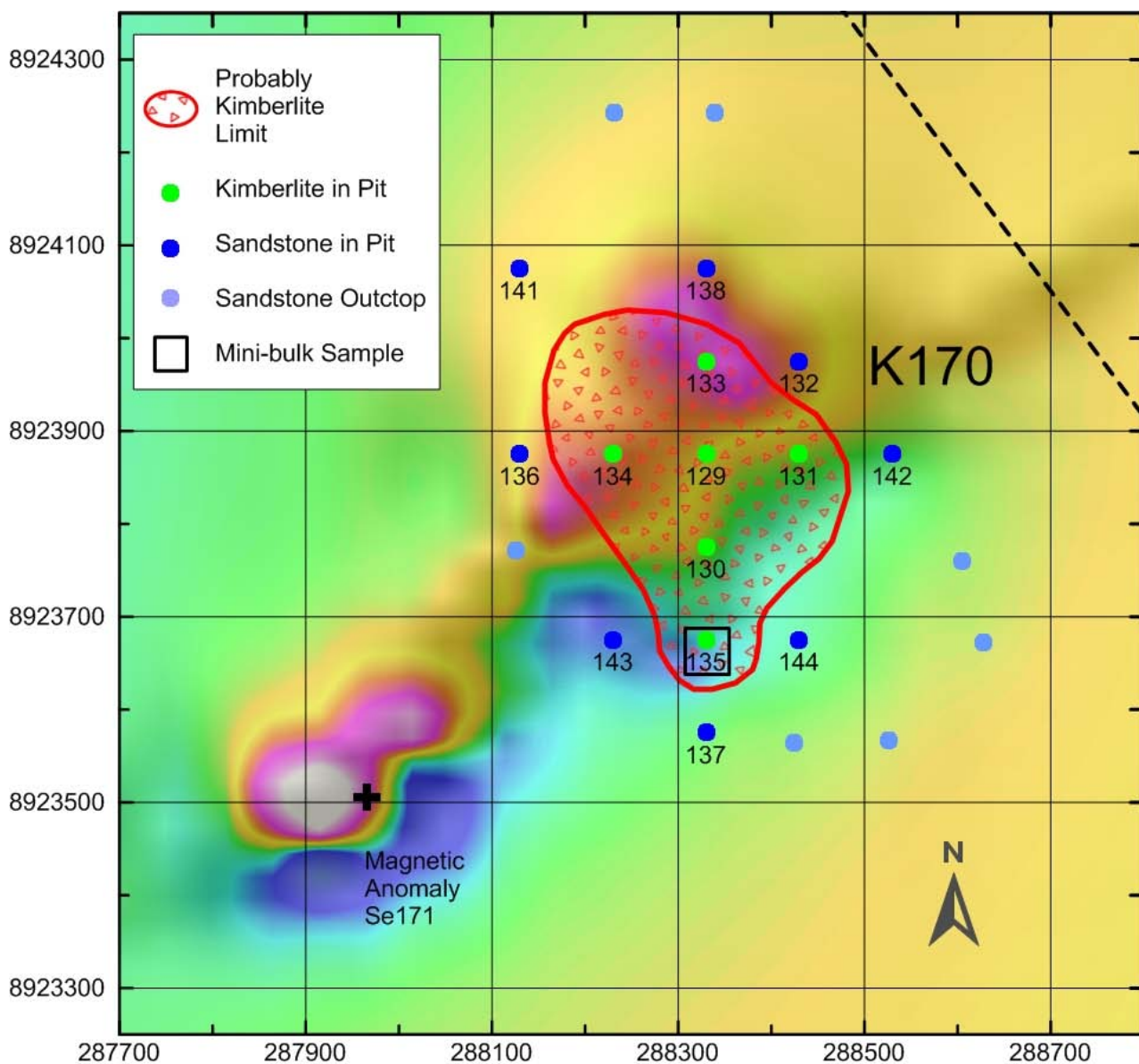


Figure 2 – Kimberlite K170

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## ALLUVIAL DIAMOND PROGRAM

Lonrho is conducting an evaluation of diamondiferous gravels within the valley of the Cacuilu River located in the western part of the Lulo Concession (Figures 1 and 3). A variety of different diamondiferous gravels have been identified within the area being evaluated. The highest concentrations of diamonds generally occur within an ancient sedimentary unit known as the Calonda Formation. In the Lulo area, the Calonda Formation is primarily a fluvial (river) sedimentary unit comprising interbedded gravels, sands and silts that accumulated on the ancient land surface after kimberlite emplacement. A subsequent climate change produced a more arid environment that saw the Calonda Formation covered and generally preserved by aeolian (wind-blown) sands of the Kalahari Formation.

Where diamondiferous kimberlites existed within the catchments of the rivers that deposited the Calonda Formation, commercial deposits of diamonds were frequently accumulated and these are often preserved beneath thick sand cover. 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.

Although gravels of the Calonda Formation are the primary target for the alluvial exploration program, younger gravels associated with current Cacuilu River are also appreciably diamondiferous. The lateritic gravels along the Cacuilu River tend to be lower grade than the Calonda gravels (generally < 10 cphm<sup>1</sup>) and the diamonds within these deposits have often been (though not always) re-worked from the Calonda Formation rather than derived directly from eroding kimberlites.

Significant deposits of young lateritic gravels exist within the valley of the Cacuilu River. The Calonda gravels are more diamondiferous (more than 40 cphm in BLK\_06) and believed to be widely distributed throughout the Lulo Concession. Away from the Cacuilu River valley the Calonda gravels are generally covered by Kalahari sands and more difficult to find and evaluate.

The aim of Lonrho's alluvial sampling programs is to identify a commercial alluvial diamond resource within both the Calonda and younger lateritic gravels along an 8km stretch of the Cacuilu River valley. The Company is undertaking a bulk sampling program to establish diamond grade and value parameters for the gravels within this area. To date Lonrho has recovered just over 300 carats of diamonds from its bulk sampling program (see table below). These diamonds have been recovered from both the Calonda Formation and younger lateritic gravels.

The average size of the diamonds recovered is in excess of one carat, with the largest diamond recovered weighing a remarkable 53.2 carats and an additional 8 diamonds weighing in excess of 5 carats. Most of the diamonds recovered to date are considered of gem quality.

Figure 3 shows the location of the alluvial evaluation area and the location of bulk samples collected from the Lulo area.

<sup>1</sup> cphm – carats per 100 cubic metres

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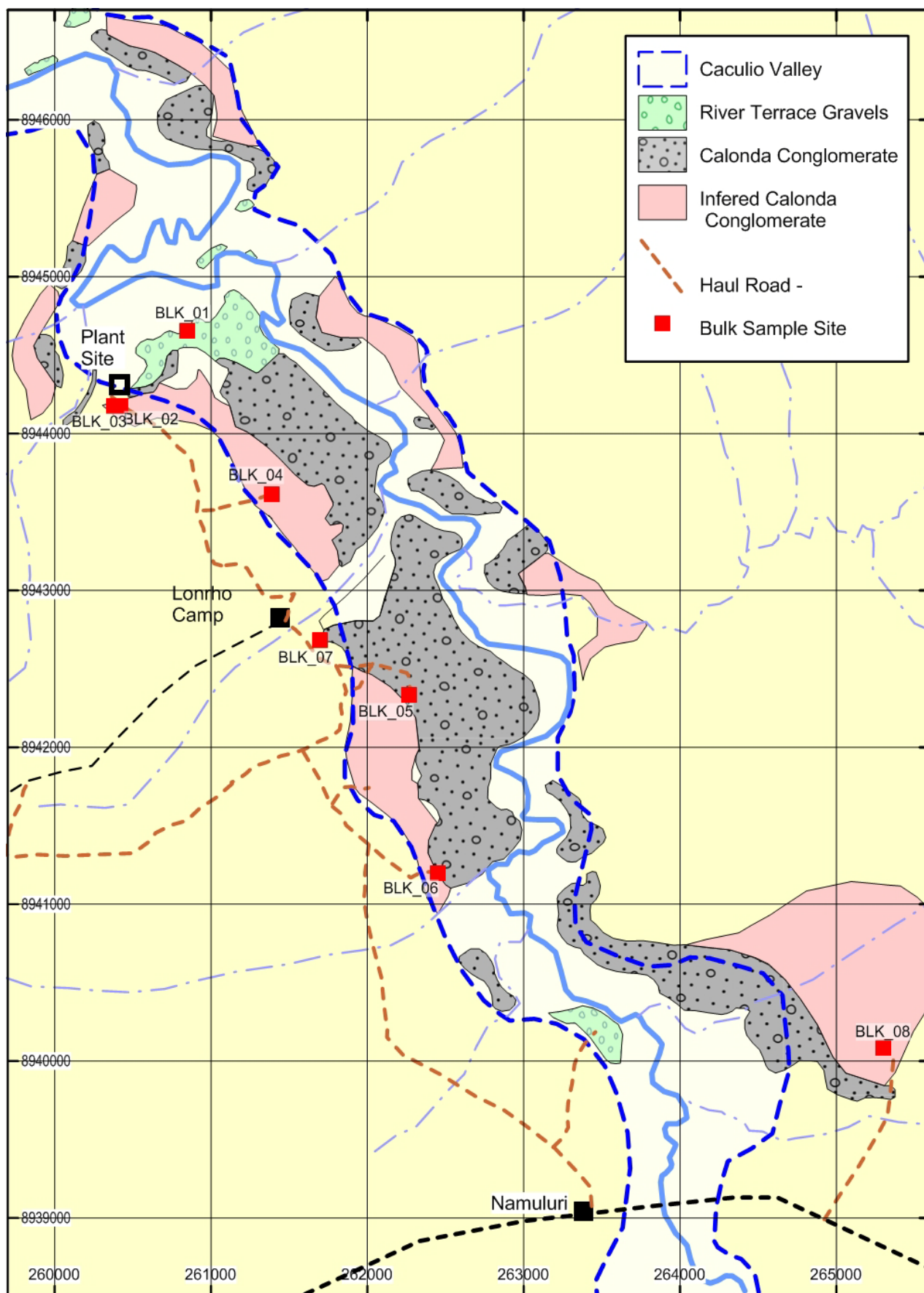


Figure 3 - Alluvial Program – Location of Bulk Samples

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Table of Diamond Recoveries

Sample Number	Gravel Volume (m <sup>3</sup> )	Size Distribution <sup>1</sup>				Number of Diamonds ct	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	16.25	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	310	36	5	2		43	25.4	0.59	8.17	2.15
BLK_08	18	2				2	0.8	0.38	4.12	0.55
<b>TOTALS</b>						<b>269</b>	<b>304.9</b>	<b>1.13</b>		

- 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. Results from BLK\_07 and BLK\_08 are incomplete. Reprocessing of oversize from BLK\_07 is continuing. Excavation of sample from BLK\_08 was suspended and equipment moved to kimberlite exploration program.

During the Quarter Lonrho continued processing gravels from bulk sample BLK\_07. This sample targeted relatively young lateritic gravels associated with the Caculo River. Processing of the primary gravels was completed, with just over 310 cubic metres of gravels treated through the DMS plant. A total of 40 diamonds weighing 21.4 carats were recovered during this first-pass processing phase. As usual with diamonds from the area, most stones recovered were considered of gem quality (Figure 4)

The oversize material from the BLK\_07 sample is dominated by large fragments of lateritic gravel (Figure 5). These fragments contain abundant kimberlitic indicator minerals and Lonrho believed they could also contain significant numbers of additional diamonds. Late in the Quarter, the oversize material from BLK\_07 was re-treated through the DMS plant and an additional 3 diamonds weighing 3.95 carats were recovered.

Unfortunately, considerable oversize material remained after the re-treatment and Lonrho is working on methods to liberate the entrapped diamonds. The current grade of the sample, 8.17 cphm, is considered a minimum and will be increased as additional diamonds are liberated from the oversize material. Most of the diamonds are considered of gem quality.

Lonrho is greatly encouraged by the diamond grade of this sample, which is considerably higher than previously achieved for this lateritic gravel variety.



Figure 4 - Selected Diamonds from BLK\_07

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**Figure 5** – Lateritic oversize from BLK\_07. Lonrho has recovered 3 diamonds weighing 3.95 carats from reprocessing this material. More diamonds are expected to be recovered when all the material has been broken down and reprocessed.

Lonrho also commenced excavation on the BLK\_08 bulk sample during the Quarter. BLK\_08 is located on the north-eastern side of the Caculo River (Figures 3 and 6) and well away from the Company's processing facility.

The exploration for, and collection of, this sample involved the construction of a new access way to the main sealed road and several kilometers of new haul road, which will provide access to several priority kimberlite targets to the east of the alluvial area.

Exploration pitting in the BLK\_08 area confirmed the presence of Calonda gravels, however their distribution and thickness are uneven. The gravels that are present are rich in kimberlitic indicators (most notably pyrope garnet). A sample from the BLK\_08 area is currently being excavated and trucked to Lonrho's DMS plant.

Processing of the gravels has commenced and so far 2 diamonds weighing a total of 0.8 carats have been recovered from 18 cubic metres of gravel processed.



**Figure 6** – Removing Overburden from Bulk Sample Pit BLK\_08

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## **CORPORATE**

During the Quarter, Lonrho received the balance of funds from its \$12.7 million capital raising to fund the new kimberlite exploration program at Lulo.

The capital raising involved the issue of 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 additional consideration.

As reported in the previous Quarterly Report, Lonrho announced on 27 March 2012 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.

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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.

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