

**ASX and Media Release**  
**21 December 2007**

## **QUARTERLY REPORT FOR PERIOD ENDING 30 NOVEMBER 2007**

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### **HIGHLIGHTS**

- **A\$4 million Placement to European based institutional investors ahead of AIM listing**
  - **Sale of Kamfersdam Tailings Dumps & Diamond Prospecting Rights for a total of A\$3.7 million**
  - **Shareholders approve change of name to Lonrho Mining Limited**
  - **Sales of 2,938 carats sold from Schmidtsdrift raises US\$1.6 million**
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### **OPERATIONS**

#### **LULO DIAMOND CONCESSION – ANGOLA**

The Lulo Diamond Concession is a highly prospective 3,000km<sup>2</sup> diamond concession in Angola and is Lonrho Mining's flagship project. The concession area contains an identified 29 kimberlite pipes, 2 rivers with extensive alluvial diamond gravels and is located in the Lunda Norte Province in north-eastern Angola, approximately 630km from the capital city of Luanda. The Lulo Diamond Concession is adjacent to the BHP Billiton / Petra Diamonds owned *Alto Cuilo* Diamond Project.

During the quarter, the Company concluded an agreement with Fugro Airborne Surveys Pty Ltd to conduct a helicopter borne high resolution magnetic and radiometric survey covering 1,000km<sup>2</sup> within the Lulo Diamond Concession in Angola.

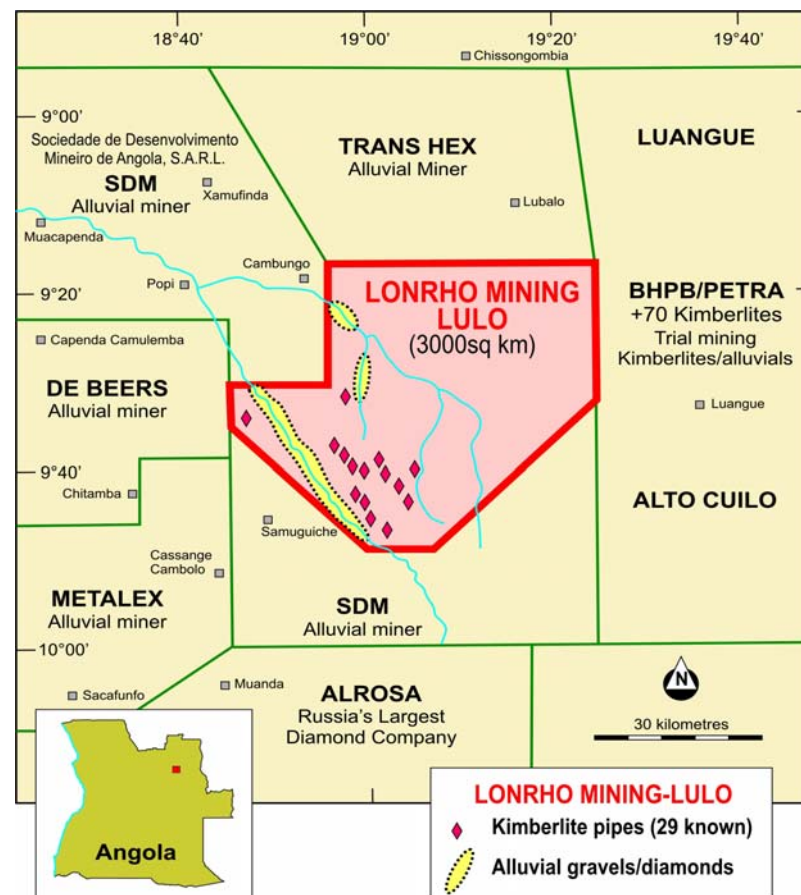
The survey was due to commence during the quarter, however due to helicopter availability in the region, it is expected that the survey will commence in December / January. The anticipated duration of the field operation is 4 to 5 weeks with all final products to be supplied to Lonrho Mining within 28 days of completion of the survey. The flight lines of the airborne survey will be spaced at 100m for an anticipated 11,402 line kilometres and the terrain clearance will be between 15 to 25 metres above the surface. Expedition of the survey will be also dependent on prevailing weather conditions, acquisition of the necessary authorisations and the availability of fuel.

The survey is being conducted within the interfluvial area between the Lulo and Caculo Rivers which is where 29 kimberlite pipes have already been identified and is prospective for the discovery of additional pipes (see Figure 1).

On completion of the survey, the Company will select the biggest pipes for evaluation, which will include drilling and bulk sampling. The survey will also target the terrace gravels along the banks of Lulo and Caculo Rivers in order to outline these potential resources for bulk sampling. Results of the survey are expected in January / February 2008.

*Evaluation and exploration costs incurred by the Company during the quarter were A\$299,502.*

**Figure 1**



## SCHMIDTSDRIFT – SOUTH AFRICA

### Background

Since re-commencing prospecting and trial mining operations in April 2006, the Company has focused on increasing its diamond production from trial mining operations at the Schmitdsdrift alluvial diamond mine, located in the Republic of South Africa. Since April 2006 up to 30 November 2007:

- the mine has produced 14,687 carats of diamonds from 2,770,276 tonnes at an average grade of 0.53 carats per hundred tonnes.
- to date, 303 stones in excess of 5 carats in size have been recovered, including a rare 235 carat stone, two 66 carat stones and 39 stones between 15 and 50 carats in size
- Lonrho Mining has sold a total of 13,810 carats of diamonds at an average price of US\$833 per carat raising a total of US\$11,504,074. This included a rare 235-carat gemstone that was sold in May 2006 for US\$10,206 per carat and a total revenue of US\$2,398,695.

#### Production and Sales for the Quarter

Production for the quarter was 1,807 carats from 331,614 ROM tonnes at an average grade of 0.54 carats per hundred tonnes. The production included 12 stones in excess of 5 carats in size. This included a 32 carat stone and 5 stones between 10 and 30 carats in size.

During the quarter, a total of 2,938 carats were sold to Unitrade 1266 CC at an average price of US\$560 per carat raising a total of US\$1,645,163.

#### Settlement of Historical Claim

During the quarter the Company agreed terms to settle an historical claim between its wholly owned subsidiary, New Diamond Corporation (Pty) Ltd ("NDC") and the previous mining contractor at the Schmidtsdrift alluvial diamond mine. Under the settlement, the Company has agreed to issue the following securities to SM Mining Contractors (Pty) Ltd ("SM") -

- 2 857 143 fully paid ordinary shares;
- 4 000 000 options (\$0.30 exercise price, 30/06/10 expiry date);
- 4 000 000 options (\$0.35 exercise price, 30/06/10 expiry date).

The settlement of the claim has been made without admission of liability. Given that the circumstances that gave rise to this matter occurred prior to the Company taking control of NDC, the Board decided as flagged in the Company's IPO Prospectus, that it would settle this matter through the issue of securities rather than undertake the risks involved in litigation. The settlement is subject to receiving exchange control approval for the transaction by 31 December 2007, or alternatively, the Company finalising a JSE listing by 31 March 2008.

Subsequent to the end of the quarter, the Company and SM agreed to extend the due dates for the fulfilment of conditions precedent. The above dates have been extended to 31 May 2008 and 30 October 2008 respectively.

#### Trial Mining and Exploration Update

Production for the quarter was lower than expected. This was due to very hard calcrete horizons above the gravel package at Site 1 and stripping ratios of 12:1. In addition heavy rains during the quarter rendered the ground unstable and unsafe to operate heavy equipment which had a slowdown effect on production.

All trial mining operations were consolidated at Site 2 in Mining Zone 1 during the latter part of the quarter. Trial mining operations are now focussed on the palaeo channel consisting of the A and B gravel horizons which are deposited on top of each other with the A gravel at the bottom on the bedrock.

This paleo channel is the youngest of all alluvial deposits on Schmidtsdrift and the stripping ratio has decreased to 2:1. The overburden consists of soft alluvium with no calcrete present which will result in increased production volumes. The gravel package of the A and B gravel is in some areas up to 9 metres in thickness.

The matrix of the palaeo channel ravel on Site 2 contains clay material and this necessitated the introduction of a scrubber. The scrubber will be used to liberate the gravels and wash off the clay, which will result in better recovery efficiencies.

In November a second-hand rotary screen was purchased to increase the primary screening capacity of the operation with the screening of wet gravels. Certain modifications and repairs are currently being made to the rotary screen and it is expected that it will be commissioned early in 2008.

No exploration drilling was performed during the quarter which led to a decrease in the resource by 331,614 ROM tonnes during trial mining operations.

Set out below is the current resource statement for the Schmidtsdrift mine.

<b>Category</b>	<b>Tonnes</b>	<b>Grade (cpht)</b>	<b>Carats</b>
<i>Indicated</i>	<b>9,730,432</b>	<b>0.57</b>	<b>55,463</b>
<i>Inferred</i>	<b>36,159,650</b>	<b>0.50</b>	<b>180,798</b>
<i>Deposit</i>	<b>310,090</b>	<b>0.50</b>	<b>1,553</b>
<b>Total</b>	<b>46,200,172</b>	<b>0.52</b>	<b>237,814</b>

Net exploration and trial mining costs for the quarter were A\$258,130.

#### **KAMFERSDAM – SOUTH AFRICA**

During the quarter, the Company concluded an agreement with Meepo Investment Consortium (Propriety) Limited ("Meepo") for the sale of its tailings dumps situated on the Kamfersdam property in South Africa for R6.5M (approx A\$1.1M).

Under the terms of this agreement Meepo will also assume all rehabilitation liabilities relating to the dumps. The sale agreement is subject to obtaining the written consent of De Beers Consolidated Mines Limited ("De Beers") to enter into this agreement. In the event that De Beers agrees to the disposal of the Sale Assets, De Beers will be entitled to 50% of the consideration from the sale.

The Company also agreed to sell to Meepo various non-core prospecting rights for R16 million (A\$2.6 million). The agreement is subject to the consent from the Minister of the Department of Minerals and Energy, in accordance with the provisions of section 11(1) of the Mineral and Petroleum Resources Development Act. Meepo paid R8 million (A\$1.3 million) of the purchase consideration on signature of the agreement with the balance R8 million (A\$1.3 million) payable on completion.

The sale of the Kamfersdam tailing dumps and prospecting rights will enable the Company to focus its management efforts on the recently acquired Lulo Diamond Project in Angola. Funds from the two sales will be used to accelerate exploration activities in Angola.

No exploration costs have been incurred by the Company on this asset during the quarter.

#### **GROEN RIVIER – SOUTH AFRICA**

The Groen River prospect is an exploration alluvial diamond prospect located in Namaqualand adjacent to an exploration programme conducted by Firestone Diamonds and De Beers. Due to the increasing operational commitment at Schmidtsdrift, in South Africa,

and at the Lulo Diamond Concession, in Angola, no exploration work was done by the Company at Groen River during the quarter.

## **KLIPSPRINGER JOINT VENTURE – SOUTH AFRICA**

The Company owns a 20% interest in the Southern Era Diamonds owned Klipspringer mine which is currently on care and maintenance and has Mineral Resources of 2.8 Mt down to a depth of 600m. No exploration costs were incurred by the Company during the quarter.

## **CORPORATE**

### **A\$4M Placement**

The Company recently raised A\$4 million via a placement of 14 million shares at A\$0.28 to European based institutional investors. The shares were issued under the Company's 15 per cent placement capacity. Funds raised will be used to accelerate exploration activities at the Lulo Diamond Concession and for working capital purposes.

### **Name Change to Lonrho Mining**

During the quarter, the Company changed its name to Lonrho Mining Limited. The Company's new ASX code is LOM.

### **AIM Listing**

The Company has finalised the appointment of its nominated advisor and broker and has engaged other advisors and expects to complete a further placing of shares on admission to AIM in February/March 2008. The terms of the placing have not been finalised, however the Company has received significant interest from several strategic European institutions.

The proposed AIM listing is intended to raise the Company's profile, enhance investor awareness and offer existing international investors easier access to the Company's securities. It will also improve the Company's flexibility and access to international investors for future capital raisings that may be required to support its minerals exploration activities in Africa.



**Will Burbury**

Director

21 December 2007

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### **Competent Persons Disclosure**

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been prepared by Manfred Marx (in relation to Angola) and Gerhard du Plessis (in relation to South Africa). Mr Marx is a consultant to the Company and has sufficient experience with the relevant style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr du Plessis is a full time employee of the Company and has sufficient experience with the relevant style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2004 Edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Each of Mr Marx and Dr du Plessis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

Lonrho Mining Limited

ABN

44 111 501 663

Quarter ended ("current quarter")

30 November 2007

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 mths) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	1,925	6,760
1.2	Payments for (a) exploration/evaluation	(2,482)	(8,734)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(479)	(1,906)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	41	170
1.5	Interest and other costs of finance paid	(124)	(206)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(1,119)</b>	<b>(3,916)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(12)	(5,989)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	1,338	1,338
	(c)other fixed assets	922	922
1.10	Loans to other entities	-	(122)
1.11	Loans repaid by other entities	28	-
1.12	Other (provide details if material)	-	(1,630)
<b>Net investing cash flows</b>		<b>2,276</b>	<b>(5,481)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>1,157</b>	<b>(9,397)</b>
1.13	Total operating and investing cash flows (brought forward)	<b>(13,417)</b>	<b>(13,417)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	3,483	3,483
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	4,451
1.17	Repayment of borrowings	(511)	(661)
1.18	Dividends paid	-	-
1.19	Issue expenses	(10)	(31)
<b>Net financing cash flows</b>		<b>2,962</b>	<b>7,242</b>
<b>Net increase (decrease) in cash held</b>		<b>4,119</b>	<b>(2,155)</b>
1.20	Cash at beginning of quarter/year to date	2,049	8,377
1.21	Exchange rate adjustments to item 1.20	(57)	(111)
1.22	<b>Cash at end of quarter</b>	<b>6,111</b>	<b>6,111</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	219
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Salaries, superannuation, director fees

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

Nil

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	5,505	4,451
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	560
4.2	Development	-
<b>Total</b>		<b>560</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter \$A'000	Previous quarter \$A'000
5.1	Cash on hand and at bank	163	207
5.2	Deposits at call	5,948	1,842
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>6,111</b>	<b>2,049</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter	-	-	-	-
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	114,462,670	90,112,667	N/A	N/A
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
	40,010,000	-	\$0.500	30/06/2010
	10,000,000	-	\$0.375	15/12/2011
	5,000,000	-	\$0.600	30/06/2009
	19,750,000	-	\$0.500	30/09/2012
7.8 Issued during quarter	19,750,000	-	\$0.500	30/09/2012
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> ( <i>totals only</i> )				
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## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: ..... Date: 21 December 2007  
 (Director/Company secretary)

Print name: William Burbury

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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