

**ASX and Media Release  
31 March 2008**

## **QUARTERLY REPORT FOR PERIOD ENDING 29 FEBRUARY 2008**

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### **HIGHLIGHTS**

#### **ANGOLA**

- **Completion of Airborne Survey at Lulo Diamond Concession**
- **Commencement of Camp Construction at Caculo River**
- **Government Approval to Commence Alluvial Operations**

#### **CORPORATE**

- **Proposed AIM listing and placing being finalised**
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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 Lonhro 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 completed an airborne magnetic and radiometric survey covering 1,000km<sup>2</sup> within the Lulo Diamond Concession in Angola.

The survey was 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.

Results of the survey are expected to be available for release in April 2008.

## **Camp Construction at Caculo River**

During the quarter and following a site visit by the Company, preparations commenced for establishing a diamond recovery plant on the Caculo River.

Technical staff have been employed to manage the construction of the Caculo River base camp and to procure the earth moving equipment as well as the diamond recovery units in readiness for commencement of operations. Initially, the recovery section will consist of one 16 feet rotary pan and an X-ray flowsort machine for final diamond recovery. The alluvial evaluation manager, the construction foreman and the security officer are Angolan expatriates recruited in South Africa, while the majority of the field and Luanda office staff will be Angolan nationals.

Construction of camp and the recovery section is expected to be completed in the next quarter depending on numerous logistical considerations.

## **Gazettal of Alluvial Diamond Exploration and Mining Joint Venture**

Government approval to commence alluvial operations was received during the quarter. The Company is currently awaiting gazettal of the kimberlite prospecting rights and expects that this will occur shortly.

*Evaluation and exploration costs incurred by the Company during the quarter were A\$753,983*

## **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 Schmidtsdrift alluvial diamond mine, located in the Republic of South Africa. Since April 2006 up to 29 February 2008:

- the mine has produced 15,953 carats of diamonds from 3,038,841 tonnes at an average grade of 0.53 carats per hundred tonnes.
- to date, 320 stones in excess of 5 carats in size have been recovered, including a rare 235 carat stone, two 66 carat stones and 42 stones between 15 and 50 carats in size.
- Lonrho Mining has sold a total of 15,087 carats of diamonds at an average price of US\$793 per carat raising a total of US\$11,959,534. 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 1,266 carats from 268,565 ROM tonnes at an average grade of 0.47 carats per hundred tonnes. The production included 17 stones in excess of 5 carats in size and this included 3 stones between 10 and 30 carats in size.

During the quarter, a total of 1,028 carats were sold to Unitrade 1266 CC at an average price of US\$477 per carat raising a total of US\$490,155.

### Trial Mining and Exploration Update

Production for the quarter was 63,049 ROM tonnes lower than the previous quarter. The lower production was mainly due to less working days during the December and January holiday break. The production was further hampered by unusually high rainfall which resulted in the loss of ten working days during January and February.

The trial mining operations are still focussed on the A and B gravel horizons in Mining Zone 1 as well as on the D gravel horizon in Mining Zone 1. A promising aspect is the fact that the average stone size of the recovered diamonds has increased to above 1.0 carat per stone, whereas for the previous quarter the average stone size was below 1.0 carat per stone. Geologically the bedrock of the D gravel is starting to show a dip in inclination towards the unmined area. This feature is very promising as trial mining is progressing towards a possible natural trap site for larger stones.

A pothole feature, identified through percussion drilling in Mining Zone 2, has been targeted for trial mining during the next quarter. The gravel horizon intersected in the boreholes is also classified as D gravel with thicknesses up to 6 metres. The overburden thickness is up to 13 metres thick with a hard calcrete layer of up to 6 meters thick at the top. An old NDC percussion drill rig was refurbished and has been commissioned to start drilling blasting holes through the calcrete on a grid pattern.

No exploration drilling was performed during the quarter which led to a decrease in the resource by 268,565 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>9,461,867</b>	<b>0.57</b>	<b>54,201</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>45,931,607</b>	<b>0.52</b>	<b>236,552</b>

*Net exploration and trial mining costs for the quarter were A\$629,899.*

### **KAMFERSDAM – SOUTH AFRICA**

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).

The Company through its South African subsidiary Kamfersdam Mining (Pty) Ltd has 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**

### **Placement & AIM Listing**

The Company proposes to complete a placing of shares to raise funds for the development of its diamond operations in conjunction with a proposed AIM listing. 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.

### **Final Payment for Purchase of NDC Shares**

Repayment of borrowings includes an amount of A\$1,168,907 (US\$1 million) as final settlement of the amount due to Vertori Management Limited ("Vertori"). Vertori was the registered holder of 4,787,937 fully paid ordinary shares ("the sale shares") in New Diamond Corporation (Pty) Ltd ("NDC") and had an existing debt owing by NDC, which debt amounted to R1,692,925 (A\$299,018) ("the claims"). During February 2006 Lonrho Mining agreed to purchase the sale shares and the claims for US\$3 million (A\$3.4 million). US\$2 million was paid during December 2006 and the balance of US\$1 million was paid during December 2007.



**Will Burbury**

Director

31 March 2008

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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")

29 February 2008

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 mths) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	394	7,154
1.2	Payments for: (a) exploration/evaluation	(1,777)	(10,422)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(567)	(2,473)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	79	250
1.5	Interest and other costs of finance paid	(135)	(341)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>		<b>(2,006)</b>	<b>(5,832)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1,762)	(7,716)
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	1,318
	(c) other fixed assets	255	1,163
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	235	113
1.12	Other (provide details if material)	-	(1,630)
<b>Net investing cash flows</b>		<b>(1,272)</b>	<b>(6,752)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>(3,278)</b>	<b>(12,584)</b>
1.13	Total operating and investing cash flows (brought forward)	<b>(16,695)</b>	<b>(16,695)</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.	461	3,944
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	1,308	5,759
1.17	Repayment of borrowings	(1,615)	(2,277)
1.18	Dividends paid	-	-
1.19	Issue expenses	(60)	(91)
<b>Net financing cash flows</b>		<b>94</b>	<b>7,335</b>
<b>Net decrease in cash held</b>		<b>(3,184)</b>	<b>(5,249)</b>
1.20	Cash at beginning of quarter/year to date	6,111	8,377
1.21	Exchange rate adjustments to item 1.20	(81)	(282)
1.22	<b>Cash at end of quarter</b>	<b>2,846</b>	<b>2,846</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	218
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	5,505
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	650
4.2	Development	-
<b>Total</b>		<b>650</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	76	163
5.2	Deposits at call	2,770	5,948
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>		<b>2,846</b>	<b>6,111</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>	128,549,420	104,199,417	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	14,086,750 -	14,086,750 -	28 -	28 -
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>	40,010,000 10,000,000 5,000,000 19,750,000	- - - -	<i>Exercise price</i> \$0.50 \$0.375 \$0.60 \$0.50	<i>Expiry date</i> 30/06/2010 15/12/2011 30/06/2009 30/09/2012
7.8 Issued during quarter	-	-	-	-
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: 31 March 2008  
 (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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