

LONRHO MINING

ACN: 111 501 663 ASX code: LOM

**ASX Release
30 June 2008**

QUARTERLY REPORT FOR PERIOD ENDING 31 MAY 2008

HIGHLIGHTS

ANGOLA

- **Aeromagnetic survey reveals the presence of 217 magnetic anomalies of which an estimated 160 are likely to be kimberlite pipes**
- **The 6 largest anomalies have been selected for diamond evaluation**
- **Planning of the alluvial programme has been completed**
- **Completion of the initial testing of the alluvials and kimberlite pipes is scheduled for the end of the dry season in November**

SOUTH AFRICA

- **Discovery of exceptional stones from Schmidtsdrift alluvial mine**
-

OPERATIONS

LULO DIAMOND CONCESSION – ANGOLA

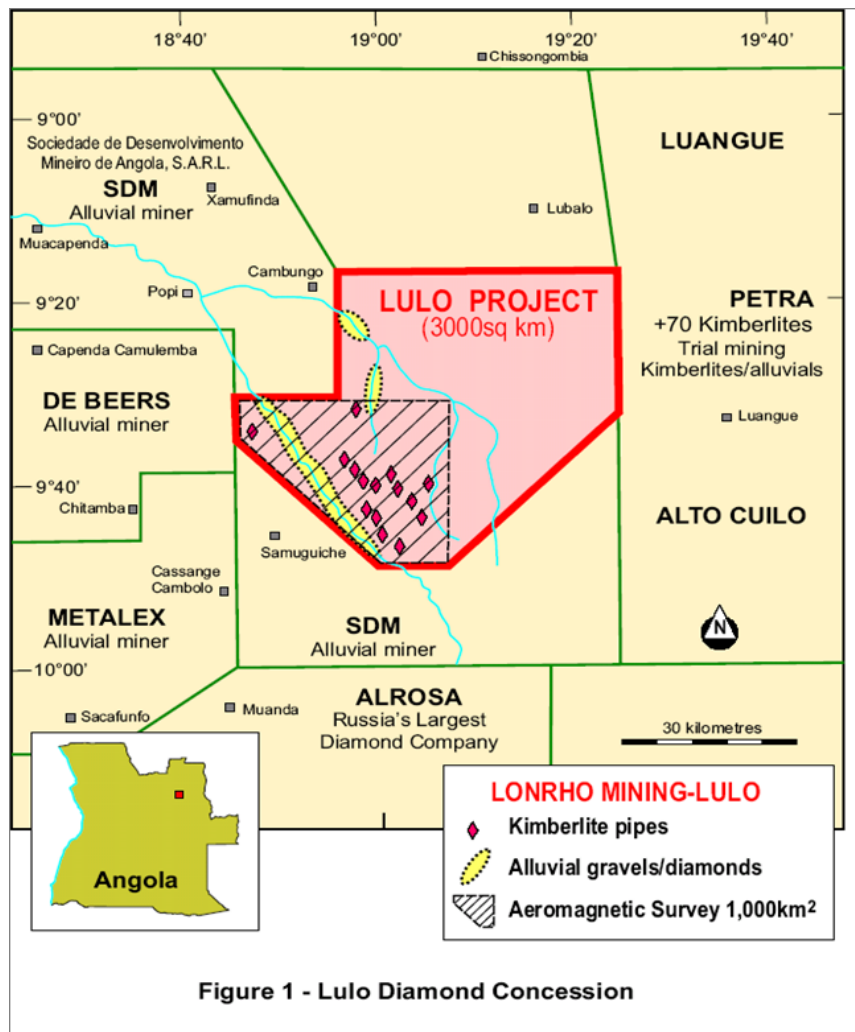
About Lulo

The Lulo Diamond Concession is located in the Cuango River Basin within the Lunda Norte Province of north-eastern Angola approximately 630km from the capital city of Luanda (Figure 1). This concession is Lonrho Mining's flagship exploration project based on the high diamond potential. Some 29 kimberlites are known within the concession and extensive diamond bearing (garimpeiro activity) alluvials occur along the Cacuilo and Lulo Rivers.

Lulo is located in an area which many experts believe will become a prolific region for the production of diamonds. The Catoca mine, which is approximately 90 kilometers from Lulo, produced approximately 7 million carats in 2007. Lulo is also adjacent to the Alto Cuilo concession which was a joint venture between Petra Diamonds and BHP Billiton where 77 kimberlite pipes have already been discovered.

The Company signed a joint venture agreement with Endiama, the national diamond company of Angola and exclusive concessionary for Angolan diamond mining rights. Within the 3,000km² Lulo Concession, the Company's participating interest in the kimberlite deposits will initially be 39% of the joint venture which will decrease to 30% after recoupment of its investment in the Project. On all alluvial deposits Lonrho Mining's participating interest will be 40% in the joint venture.

Under the terms of the joint venture with Endiama, Lonrho Mining has paid a deposit of US\$1.4 million in cash which is refundable after exploration expenditure of twice the amount by the Company within nine months after signing of the joint venture agreement. Lonrho Mining is also required to fund a work programme for which the first year of exploration expenditure will total US\$3,5 million. Lonrho Mining will receive in priority the funds it has expended on exploration from future mining cash flow. The Company has received all necessary approvals to commence exploration and development of the alluvial deposits at Lulo and is awaiting final gazettal approval in relation to the kimberlite deposits.



Aeromagnetic Survey

In February 2008, a low level MIDAS helicopter survey was completed over 1,000km² covering the diamond bearing upper Caculo and Lulo Rivers. The aim of the survey was to assist in the discovery of kimberlite deposits within the surveyed area at Lulo. The data from the survey has been processed by Fugro Airborne Surveys (Pty) Ltd and analysed by the Company's independent geophysical consultant Mr E O Kostlin.

Mr Kostlin has identified a large cluster consisting of 217 magnetic anomalies which he believes are in all likelihood due to kimberlites or kimberlite magma blows (see Figure 2 and Figure 3). This cluster is located within the diamond bearing Caculo River catchment area on the Lulo concession.

The Company's consultant geologist Manfred Marx believes that the results to date from the Lulo survey are the most encouraging that he has witnessed since the discovery of the Orapa Mine in Botswana in 1967.

Other diamond operators in this region (eg. Petra Diamonds Ltd) have reported that up to 75% of the targeted magnetic anomalies drilled on their neighbouring Alto Cuilo concession are kimberlite pipes. Based on this comparison, approximately 160 of the anomalies on the Lulo concession are likely to be kimberlites.

The Company's consultants believe that the Lulo concession encompasses the core of a vast kimberlite cluster which extends into all of the neighbouring concessions. Furthermore, the kimberlite pipes at Lulo will be more conducive to rapid and accurate evaluation than those pipes further east on the sand-covered plateau. This is because the degree of erosion of a kimberlite pipe is critical in the diamond distribution within that pipe. Diamond grades within the upper, lesser eroded levels of the pipes (such as those on the plateau), are often highly diluted by sterile sand contamination within the ancient crater or mouth of the pipe. The Lulo pipes within the Caungo River lowlands have had this troublesome upper portion of the pipe eroded, leaving a section of the pipes in which the diamond distribution is more regular and hence more predictable.

Significantly, the terrace gravels on the Caculo River have exceptionally high kimberlitic indicator mineral concentrations (see Figure 4) in addition to the presence of artisanal diggings, especially in the lower extent of the river system (see Photo 1). Furthermore, historical records confirm the existence of 29 kimberlite pipes that are known to be within the concession area.

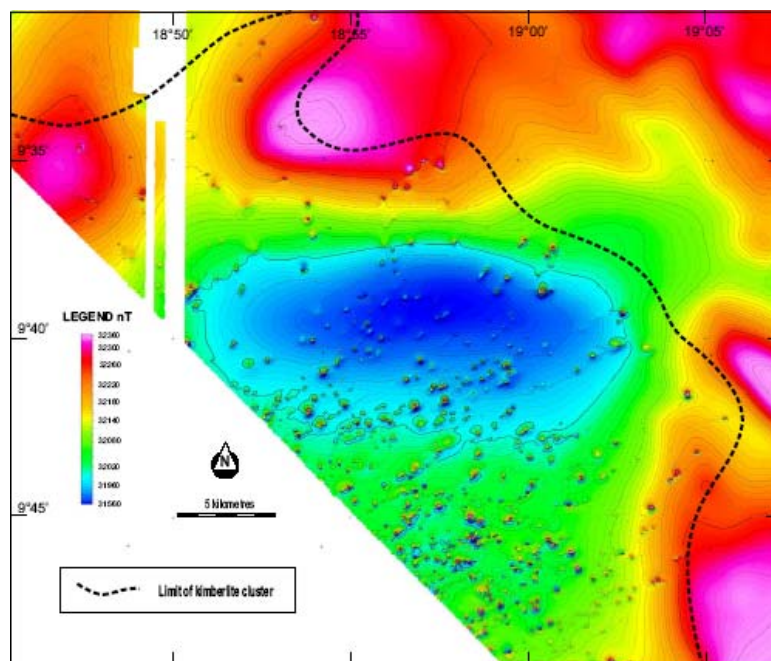


Figure 2 - Aeromagnetic total magnetic intensity colour contours

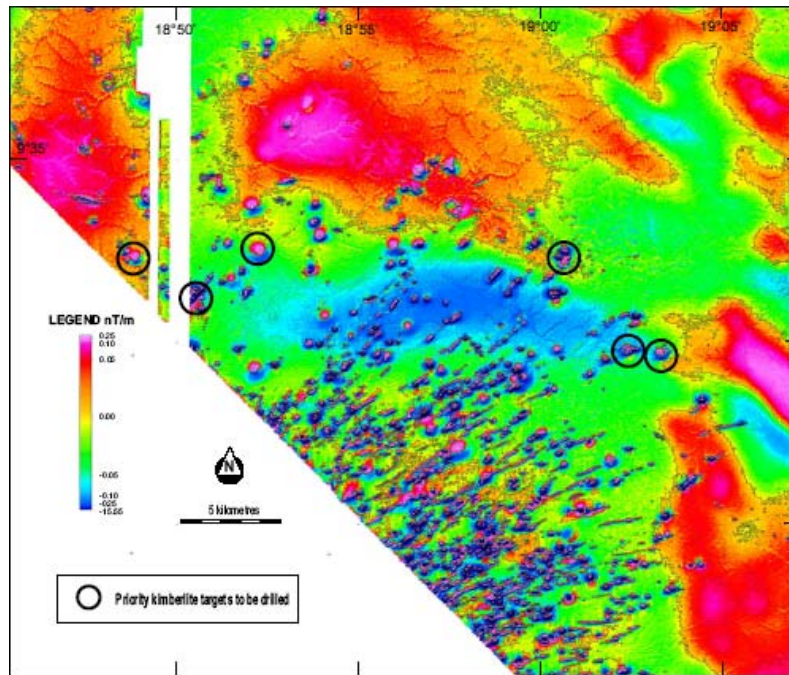


Figure 3 - Vertical gradient magnetic colour contours

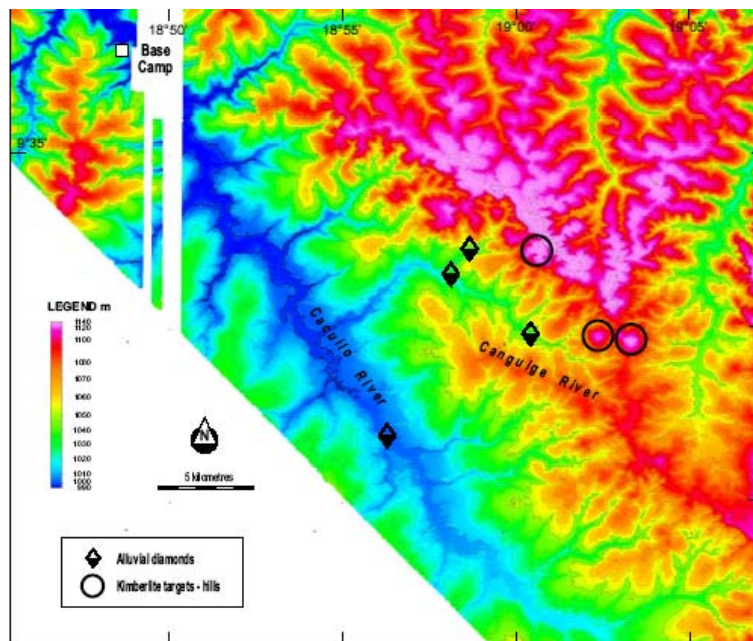


Figure 4 - Digital terrain image showing Cacuielo River drainage pattern

Kimberlite Work Schedule

The largest pipes within a kimberlite/lamproite province historically have the highest grades. This approach has been successfully applied by Petra Diamonds at the adjacent Alto Cuilo project which has identified approximately 77 kimberlites from 99 magnetic anomalies.

The Company's consultants have selected 6 of the largest targets, identified from the aeromagnetic survey and an aerial-photo study which have minimum estimated surface

areas of between 5 and 20 hectares (see Figure 3). The timing of this drilling programme is dependent on final government approvals and the usual logistical challenges, however, it is expected that the first phase testing of the selected 6 kimberlites is scheduled for completion this year. Roads will, as a priority, be constructed to gain access to these 6 priority targets.

Once a kimberlite is identified, bulk samples will be excavated from each pipe and treated at the Caculo River diamond recovery plant. If the surface definition of the target is unclear due to sand cover, then percussion drilling will be undertaken as part of the assessment. The pipe with the highest indicated grade will then be evaluated for its economic potential.

Alluvial Diamond Work Schedule

Alluvial diamond grades of between 9 and 20 carats/100 tonne were recorded during colonial times in some of the Caculo River tributaries (Canguige and Camaconde River), directly draining some of the large photo-feature/magnetic anomalies. Further evidence of the kimberlites diamond potential is the presence of an estimated 6,000 artisanal miners in the Caculo River valley.

Following the recent commencement of the Caculo River base camp construction, the initial bulk sampling stage will focus on the Caculo River terraces and flood-plain gravels. The first 6,000 tonnes of gravel will be treated by a 16 foot rotary pan. The aim of this first phase is to determine the best metallurgical practices applicable in the treatment of the Caculo gravels, as well as to gain a basic understanding of the diamond grades and values that can be expected in these gravel units. Given a favourable outcome, a greatly enlarged bulk sampling programme will be initiated.

The gravel deposits will be mapped and surveyed along 1,000m spaced trenches excavated at right angles to the flow of the ancient (and present) river. The initial 6 x 1,000 tonne bulk samples will then be carefully selected to gain a representative sample of the terrace gravels.



Photo 1 - Extensive garimpeiro diamond diggings on Caculo River terrace

Evaluation and exploration costs incurred by the Company during the quarter were A\$410,353.

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 31 May 2008:

- the mine has produced 16,805 carats of diamonds from 3,209,484 tonnes at an average grade of 0.52 carats per hundred tonnes;
- to date, 338 stones in excess of 5 carats in size have been recovered, including a rare 235 carat stone, two 66 carat stones, a 61 carat stone and 45 stones between 15 and 50 carats in size; and
- Lonrho Mining has sold a total of 16,636 carats of diamonds at an average price of US\$809 per carat raising a total of US\$13,464,509. 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 852 carats from 170,643 ROM tonnes at an average grade of 0.50 carats per hundred tonnes. The production included 18 stones in excess of 5 carats in size. This included a 61 carat stone and 5 stones between 10 and 30 carats in size.

During the quarter, a total of 1,549 carats were sold to Unitrade 1266 CC at an average price of US\$971 per carat raising a total of US\$1,504,975. This included the sale of the 61 carat stone which yielded US\$12,055 per carat and a total value of US\$735,355.

Trial Mining and Exploration Update

Production for the quarter was adversely affected by the Easter public holidays and other public holidays in South Africa. During the past quarter the remaining blocks, containing the A and B gravel horizons of the palaeochannel, were removed in Mining Zone 1.

The trial mining operations are now focused on a gravel “run” in the west of Mining Zone 4 (Site 7) and a meandering channel in Mining Zone 5 (Site 8). The gravel “run” in the west of Mining Zone 4 lies above a break in slope of the bedrock (“cliff”) which then flattens off forming a new terrace or sub-terrace environment. The gravel above the cliff may relate to the Vaal River Middle Terrace or it may relate to a different fluvial system to the lower gravels as the feeder system appears to be from the west.

Trial mining operations in Mining Zone 5 were focused on the R line which falls inside the braided system as been identified by the exploration drilling. The bedrock is typically flat throughout the area, with the elevation gradually decreasing to the south. The gravel is characteristically composed of small clasts (pebbles and cobbles) with a coarse sandy / calc matrix and occasional large boulders at the base as well as suspended higher up in the succession. Mining Zone 4 and Mining Zone 5 are also characterised by calcretisation which makes liberation again difficult.

No exploration drilling was performed during the quarter which led to a decrease in the resource by 170,643 ROM tonnes during trial mining operations.

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

Category	Tonnes	Grade (cpht)	Carats
<i>Indicated</i>	9,291,224	0.57	52,959
<i>Inferred</i>	36,159,650	0.50	180,798
<i>Deposit</i>	310,090	0.50	1,553
Total	45,760,964	0.51	235,310

Diamond sales from exploration exceeded exploration and trial mining costs for the quarter by A\$186,915.

KAMFERSDAM – SOUTH AFRICA

In November 2007, the Company agreed to sell certain tailings dumps near Kimberley in South Africa and its Kamfersdam new order prospecting rights to Meepo Investment Consortium (Pty) Ltd for A\$3.7 million (see announcements dated 15 and 28 November 2007). De Beers has approved the sale of the tailings dumps which was a condition of the transaction. Completion of the sale of the new order prospecting rights will also now occur subject to receiving final approval of that transaction from the Department of Minerals and Energy.

The sale of these smaller non-core assets is part of the Company's strategy to focus its management efforts on developing the highly prospective Lulo Diamond Project in Angola. It is also a milestone in the Company's overall business strategy to expand its African footprint by becoming a significant resources developer and producer on the African continent.

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

Background

The Company owns a 20% interest in the Mwana Africa Plc ('Mwana') owned Klipspringer mine.

During 2007 a trial mining and bulk sampling exercise was undertaken by Mwana to try a new mining method and test market conditions. The mining method was changed to a more conventional underhand stoping method as opposed to the long hole open stoping method used in the initial mine design. The mine was re-engineered with the new mining method resulting in reduced tonnage along with a significant reduction in manpower and costs but designed to operate in a strong Rand environment. The trial mining programme was

operated successfully and in December 2007 a decision was made by Mwana to commence commercial production.

Production and Sales for the Quarter

Production for the quarter was 7,234 carats from 11,956 ROM tonnes at an average grade of 60.51 carats per hundred tonnes.

During the quarter, a total of 8,184 carats were sold at an average price of US\$125 per carat raising a total of US\$1,023,000.

No costs were incurred by the Company during the quarter.

CORPORATE

The Board has decided to defer the Company's proposed AIM listing until later this year so it can finalise the sale of its non-core assets and finalise negotiations in relation to the acquisition of any new project in accordance with this diversification strategy. Importantly, this will allow the initial bulk sampling program of the alluvials at the Lulo Diamond Project to be completed prior to the Company's AIM listing.

Mr Bêrend van Deventer has advised the Company of his intention to resign as a Board Director due to his increased business commitments in South Africa. Mr Van Deventer will step down from the Board at the completion of his six-month notice period. The Board wishes to thank Mr van Deventer for his very substantial contribution to the Company.

The Company's AGM is to be held in Perth on 30 July 2008.



Will Burbury
Director
30 June 2008

Competent Persons Disclosure

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves has been prepared by Consulting Geologist Manfred Marx and Consulting Geophysicist E. O. Kostlin (in relation to Angola) and Gerhard du Plessis (in relation to South Africa). Mr Marx and Mr Kostlin are consultants to the Company and have sufficient experience with the relevant style of mineralisation and type of deposit under consideration and to the activity which they are 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, Mr Kostlin 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")

31 May 2008

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (3 mths) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	1,602	1,602
1.2	Payments for (a) exploration/evaluation	(1,825)	(1,825)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(788)	(788)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	32	32
1.5	Interest and other costs of finance paid	(115)	(115)
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
Net Operating Cash Flows		(1,094)	(1,094)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a)prospects	-	-
	(b)equity investments	-	-
	(c) other fixed assets	(62)	(62)
1.9	Proceeds from sale of: (a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
Net investing cash flows		(62)	(62)
1.13	Total operating and investing cash flows (carried forward)	(1,156)	(1,156)
1.13	Total operating and investing cash flows (brought forward)	(17,851)	(17,851)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(401)	(401)
1.18	Dividends paid	-	-
1.19	Issue expenses	-	-
Net financing cash flows		(401)	(401)
Net decrease in cash held		(1,557)	(1,557)
1.20	Cash at beginning of quarter/year to date	2,846	2,846
1.21	Exchange rate adjustments to item 1.20	(11)	(11)
1.22	Cash at end of quarter	1,278	1,278

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	225
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	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	450
4.2	Development	-
Total		450

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		107
5.2	Deposits at call		1,171
5.3	Bank overdraft		-
5.4	Other (provide details)		-
Total: cash at end of quarter (item 1.22)			1,278

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 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	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	- -	- -	- -	- -
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7 Options <i>(description and conversion factor)</i>	40,010,000 10,000,000 5,000,000 19,750,000	- - - -	<i>Exercise price</i> \$0.500 \$0.375 \$0.600 \$0.500	<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 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (<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: 30 June 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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