

# LONRHO MINING

ACN: 111 501 663 ASX code: LOM

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## **LONRHO SIGNS OPTION AGREEMENT TO SELL SCHMIDTSDRIFT MINE FOR US\$13.35 MILLION**

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### **HIGHLIGHTS**

- **Exclusive option agreement to sell 80% interest in the Schmidtsdrift prospecting right and the associated mining equipment**
  - **Non-refundable option fee of US\$500,000**
  - **Sale price of approximately US\$13.35 million**
  - **Lonrho to focus on development of world class Lulo project in Angola**
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Australian-based diamond exploration and development company Lonrho Mining Limited (ASX: LOM) ("Lonrho Mining" or the "Company") today announced it has entered into an option agreement to sell the prospecting right and associated mining equipment to New African Mining ("NAM").

The Schmidtsdrift mine – owned by Lonrho Mining (80%) and the Schmidtsdrift Communal Property Association (20%) – comprises six contiguous farms along the western bank of the Vaal River, with a combined area of 320km<sup>2</sup>.

Since the Company commenced operations in April 2006 up to 31 May 2008, the Schmidtsdrift mine has produced 16,805 carats of diamonds from 3,209,484 tonnes at an average grade of 0.5 carats per hundred tons. The production included 338 stones in excess of 5 carats in size, including a rare 235 carat stone, two 66 carat stones, a 61 carat stone and 45 stones between 15 and 50 carats in size.

Under the Option Agreement NAM will have an exclusive option for 14 days to conclude all the necessary documentation and formal agreements for the sale of the Company's interests in the Schmidtsdrift mining operation. NAM has agreed to pay an option fee of US\$500,000 for the exclusive right to purchase the Company's interest in the Schmidtsdrift prospecting right (US\$7,500,000) and the mining fleet and equipment (US\$5,850,000). The option fee is non-refundable and will be deducted from the purchase price of the transaction. Due diligence has been completed in relation to the sale of the prospecting right. It is expected that completion of due diligence in relation to sale of the equipment will occur during the next 14 days during which the parties will finalise the sale agreements in accordance with the above commercial terms.

On completion of the transaction and after payment of debt and other associated costs, the Company will retain sale proceeds of approximately US\$6 million. These funds will in due course be applied towards the exploration and development of the Lulo diamond project in Angola.

Commenting on the sale, Lonrho Mining's Chief Executive Officer Charles Mostert said:

*"The Company has undertaken the divestment of the Schmidtsdrift mine so that it can focus its efforts on developing the Lulo diamond project in Angola. The Lulo project is capable of delivering significant value to shareholders and we believe it is important that the Company's resources are directed towards unlocking the potential value as quickly as possible."*

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**About Lulo**

The Lulo Project is located on the eastern margin of the Cuango River catchment approximately 650km east of Luanda within the Lunda Norte Province of northeastern Angola.

The Company has signed Joint Venture Agreements with Endiama, the national diamond company of Angola and exclusive concessionary for Angolan diamond mining rights, to develop the highly prospective 3,000km<sup>2</sup> Lulo Diamond Concession in Angola.

On all kimberlite deposits Lonrho's participating interest 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's participating interest will be 40% in the joint venture. Under the terms of the joint venture agreement with Endiama, Lonrho has paid a cash deposit of US\$1.4 million (A\$1.54 million) which is refundable after exploration expenditure of an equal amount by Lonrho within nine months after signing the joint venture agreement. Lonrho is also required to fund a work programme for which the first year of exploration expenditure will total US\$6 million (A\$7 million). Under the terms of the joint venture, the Company will also receive in priority the funds it has expended on exploration from future cash flow from mining operations.

**For more information please visit: [www.lonrhominig.com](http://www.lonrhominig.com)**