

LONRHO MINING

ASX Release

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LONRHO MINING LIMITED (ASX: LOM) QUARTERLY REPORT FOR PERIOD ENDED 28 FEBRUARY 2009

HIGHLIGHTS

LULO PROJECT, ANGOLA

- The heavy mineral sampling results for the 6 priority aeromagnetic anomalies within the Angolan Lulo Diamond Concession were received from the MSA Group laboratory in Johannesburg.
- 99% of the pyrope garnets and 85% of the micro-ilmenites are classified as being **kimberlitic**.
- Pyrope garnets were recovered only from K72 (kimberlite pipe) and K71 (suspected kimberlite pipe).
- The other 4 targets reported micro-ilmenite only, with variable compositions.
- The pyrope garnet colours are predominantly mauve and cerise and are described as being **peridotitic in origin with mostly Iherzolitic (G9) compositions**.
- A high percentage of the ilmenite grains fall within the fields 3 and 4, indicating that the **potential for diamond preservation** (especially in kimberlite K72) **is high**.
- These 6 targets tested represent 2.8% of the 217 magnetic targets located within the diamond bearing Cacuilu/Lulo River catchment areas.
- The heavy mineral geochemistry clearly marks the K71 and K72 kimberlites as the priority drilling and bulk sampling targets.
- These results are very encouraging allowing for the Lulo Project exploration and evaluation to proceed to the next stage with confidence.

OPERATIONS

LULO DIAMOND CONCESSION – ANGOLA

KIMBERLITE EXPLORATION

The Lulo Diamond Concession (3,000km²) lies within the diamond rich northeastern Lunda Norte Province of Angola. A base camp was established on the banks of the Caculo River, close to the main highway linking the capital city Luanda (720km) with the interior.

The illicit diamond digger “garimpeiro” situation along in the Caculo River valley has been stabilized.

In December 2008, six aeromagnetic/satellite image targets were visited. The target selection was based on the size of the magnetic footprint, the size of the satellite image feature and/or the garimpeiro surface disturbance pattern. Based on empirical evidence, it was felt that the larger the pipe the more prospective it may be. One 20kg to 40kg soil sample was collected from the centre point of each anomaly. This material was screened to -2mm and concentrated in the field, using a gold pan. These concentrates were then dispatched to the MSA Group laboratory in Johannesburg. Kimberlitic pyrope garnets and picro-ilmenites were recovered from all of the samples submitted (Table 1). A selection of 150 pyrope garnets and 150 picro-ilmenites were then submitted for electron microprobe analyses.

Target	Selection criteria	Pyrope garnets (G9)	Picro-ilmenite
K71	Aeromagnetic/satellite image	18	20
K72	Aeromagnetic/satellite image	122	20
K50	Aeromagnetic	0	10
L6	Garimpeiro activity	0	45
K14	Aeromagnetic/garimpeiro	0	8
K6	Aeromagnetic	0	24

Note: 9 kimberlitic eclogitic garnets and 1 non kimberlitic garnet were reported. The rest are classified kimberlite lherzolitic G9 pyrope garnets, 8 ilmenites are classified as para-kimberlitic and 15 are non-kimberlitic.

The majority of the grains probed are from **kimberlite sources**. The pyrope garnets were reported only from targets K72 (kimberlite pipe) and the nearby K71 anomaly which is suspected to be a kimberlite pipe. Both samples were taken from the summits of circular hills of 20 hectares to 30 hectares in surface area with coincident aeromagnetic anomalies. The Canguige River, draining these two (and other magnetic anomalies), has historically recorded alluvial diamonds with grades of 9cpht to 20cpht.

The pyrope garnets are mainly mauve and cerise in colour and are classified as peridotitic in origin with mostly lherzolitic (G9) compositions. The majority of picro-ilmenites from K71 and K72 fall within the field 3 and 4 when plotted on a Mgo vs Fe₂O₃ plot.

Discussion

Any discussion of the microprobe results must consider the following points.

- The 6 targets sampled represents 2.8% of the total 217 magnetic anomalies which are now believed to be mainly due to underlying kimberlite bodies.
- This kimberlite province lies within the catchment area of the diamond bearing Caculo River system. Logically, the kimberlite source(s) most probably lies within this cluster.
- This limited soil sampling exercise was principally conducted to prioritize the targets selected. It succeeded in doing that.
- Nature is not precise and as such the geochemical signatures of kimberlitic indicator grains are open to interpretation and are not infallible. Exceptions to the rule are common. The diamond is the most important indicator mineral.
- While the K72 kimberlite has the most encouraging geochemical mineral signature of the 6 targets tested, statistically, it probably is not the most prospective of the 217 targets.

Pyrope Garnets

Of the 150 garnets probed, 140 grains show that they are kimberlitic and peridotitic in origin with mostly Iherzolitic (G9) compositions. A small percentage has eclogitic compositions. Most of the grain colours are mauve and cerise with traces of orange. The colours are largely a reflection of elevated chrome contents. This is also a characteristic of the G10 garnets. However, the difference between the G10 and G9 species lies mainly in the lower calcium levels of the former. Most of the known kimberlite diamond mines contain G10 garnets but some of the lower grade kimberlites contain predominantly G9 garnets. The term *peridotitic* refers to the high chrome garnets as opposed to the lower chrome *eclogitic* garnets. Both types can occur in diamondiferous kimberlites but the peridotitic variety is far more common.

Of interest is that only the K71 and K72 targets reported pyrope garnets in addition to the picro-ilmenites. The significance being that the mineral geochemistry of this kimberlite province is variable which may provide the key for early identification of the most diamond rich pipes, without having to bulk sample each kimberlite.

Picro-ilmenites

All of the 6 targets sampled produced kimberlitic picro-ilmenites. Of the total 150 grains 127 are kimberlitic. The variability of the geochemical signatures presents an important clue as to the diamond content of the pipes. This is related to the diamond preservation index which as the term implies, could be an indication of how many diamonds survived the journey from the upper mantle (about 150 km deep) to the surface. Diamond resorption (solution) into the host kimberlite appears to be related to the residence time in the transporting magma and that can be determined by the ratio of magnesium oxide to ferrous iron. A high Mg low Fe state is empirically more favourable for diamond preservation. **The K72 and K71 ilmenites plot in the intermediate to high preservation fields.** The L6 (stream) derived ilmenites are mainly intermediate, while the K6, K50 and K14 ilmenites are mainly low.

Conclusion

- Based on the mineral geochemistry of the 6 targets sampled, there is a high probability that all, (in addition to the known K72 kimberlite), are related to kimberlite pipes.
- These results suggest that a high percentage of the 217 magnetic anomalies are caused by kimberlites.
- The marked geochemical signature variability is encouraging, as it will be possible, using cheap and rapid soil sampling techniques, for early selection of the most diamond prospective pipes within this province.

- Further investigations should be planned for the 6 targets in the following priority order:
 - K72
 - K71
 - L6
 - K50
 - K6
 - K14
- These results, viewed in a background of an alluvial diamond province, must be seen in a positive light and exploration at Lulo should continue with renewed optimism.

Work Program

- RC drilling and bulk sampling will initially target the kimberlite K72 and the adjacent probable kimberlite K71.
- Soil sampling will be continued on a further 50 to 100 magnetic/satellite image targets.

ALLUVIAL EXPLORATION

The exploration of the Cacuilu River terrace gravels is scheduled for the 2009 dry season. A 4 km frontage has been selected for the first phase of exploration. Access tracks along both of the river banks will be constructed on which control points can be established for the surveyed base lines cut at right angles to the river. These parallel lines will be spaced at 500 metre intervals along which exploration pits at 100 metre intervals will be sited. This will allow for the accurate sub-surface geological mapping on which the bulk sampling and trial mining programs will be based.

The transportation and the establishment of a rotary pan and diamond recovery unit are anticipated later in this year.

A contingent of 21 Manbodji security guards, assisted by local Angolan police, has stabilized the illicit digger situation within the Cacuilu River. This has allowed for the establishment of the base camp on the west-bank of the Cacuilu River about 3 km to the north of the main Luanda highway bridge.

LULO BASE CAMP PICS





SOUTH AFRICA

In August 2008, the Company entered into an option agreement to sell the Schmidtsdrift operation to New African Mining AG (**NAM**).

Under the Option Agreement, NAM paid a non-refundable option fee of US\$500,000, for an exclusive option to conclude an agreement for the sale of the Company's interests in the Schmidtsdrift operation.

On 6 October 2008 the Company signed formal agreements (**the agreement**) for the sale of the Schmidtsdrift operation. In terms of the agreement, NAM was to acquire all the Schmidtsdrift assets from Lonrho. This included all plant and equipment on the Schmidtsdrift site, the prospecting right for the Schmidtsdrift property, all rehabilitation deposits for the Schmidtsdrift property and the 80 percent shareholding in Schmidtsdrift Mining Enterprises (Pty) Ltd (collectively hereafter referred to as **the Schmidtsdrift asset**).

The total purchase consideration for the Schmidtsdrift asset was US\$11.8m payable in cash. In addition, NAM was to assume rehabilitation liabilities of US\$1.4m.

On 31 October 2008 NAM paid the required US\$500,000 into trust with their lawyers in terms of the agreement. The US\$500,000 was to be released to the Company on the Effective Date – refer to the Company's 31 August 2008 half year report.

On 14 November 2008 the South African Competition Commission granted the unconditional approval for the sale of the Schmidtsdrift asset. The Effective Date of the Sale, in terms of the agreement, is the date of approval by the Competition Commission, namely 14 November 2008.

NAM instructed their lawyers not to release the US\$500,000 held in trust and failed to make any further payments in terms of the agreement. The Company served NAM with notice to remedy their breaches and following NAM's failure to remedy the breaches, the agreement with NAM was cancelled.

This together with the diamond market collapse caused by the global financial crisis, resulted in the South African subsidiaries not being able to meet their obligations to creditors.

On 16 January 2009 an application was brought to the High Court of South Africa for the liquidation of Lonrho Mining SA (Pty) Ltd (formerly Nare Adamas (South Africa) Pty Ltd) and the High Court issued a provisional liquidation order with the return date set as 13 February 2009.

Lonrho Mining SA (Pty) Ltd, now Lonrho Mining SA (Pty) Ltd (In Provisional Liquidation) (**Lonrho SA**) is a wholly owned South African subsidiary of the Company and in turn is the ultimate holding company of all South African operations. The assets of Lonrho Mining SA, including the shares it holds in its wholly and partly owned subsidiaries, are currently under the control of the Provisional Liquidators and will remain under the control of the Provisional Liquidators until the liquidation process is finalised.

On 13 February 2009 an application was made to the High Court of South Africa to extend the return date. The application was granted and the return date was extended to 13 March 2009.

On 13 March 2009 an application was again made to the High Court of South Africa to extend the return date. The application was granted and the return date was extended to 3 April 2009.

The Provisional Liquidators have been in discussions with various parties that have expressed an interest in acquiring Lonrho SA. Interested parties have been requested to formalise their offers and submit the offers to the Provisional Liquidators by 16 March 2009.

All offers received were in the form of a proposed compromise agreement with creditors in terms of section 311 of the South African Companies Act. The Provisional Liquidators are in the process of reviewing the offers received, following which they will prepare an application to the High Court to convene a meeting with creditors and other stake holders.

At the meeting the compromise must be agreed to by a majority in number representing three-quarters in value of creditors or a class of creditors. The chairman of this meeting must file a report and a second High Court application must be made requesting the court to sanction the compromise. This process is expected to take between six to eight weeks.

CORPORATE

On 11 February 2009, the Company announced a non-renounceable entitlements offer to its eligible shareholders to raise up to \$1,767,394 by the issue of 88,369,705 ordinary fully paid shares on basis of one new share for every two existing shares.

**MILES KENNEDY
DIRECTOR**

31 March 2009

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). 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'. Each of Mr Marx and Mr Kostlin consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.