

3rd September 2008

ASX Code: LOM Speculative Buy

Pro-Forma Capital Structure

| | |
|----------------------------|---------------|
| Sector | Materials |
| Share Price | A\$0.20 |
| Ordinary Shares | 128.5m |
| Options (Listed) | 0.0m |
| Options (Unlisted) | 74.8m |
| Market Cap (Fully Diluted) | \$25.7m |
| Cash (02/01/08) | \$1.2m |
| Share Price Year High-Low | \$0.40-\$0.20 |

Management

| | |
|---------------------|-------------------------|
| Dave Lenigas | Non-Executive Chairman |
| Charles Mostert | Chief Executive Officer |
| Bêrend van Deventer | Financial Director |
| O.K. Chikane | Non-Executive Director |
| Geoffrey White | Non-Executive Director |

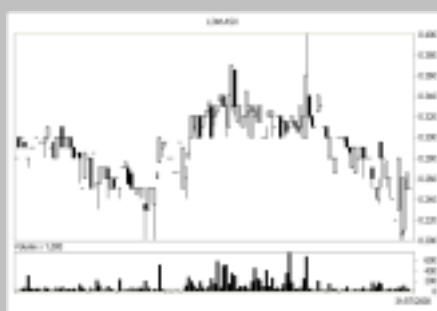
Major Shareholders

| | |
|-----------------------------|--------|
| Lonrho Africa (Holding) Ltd | 24.15% |
| HSBC Nominees Limited | 18.61% |
| CS Fourth Nominees Pty Ltd | 8.40% |
| ANZ Nominees Limited | 4.43% |

Analyst

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Share Price Performance



Source: E-trade.com

Lonrho Mining Limited

Divestment Leads to Focused Growth

Highlights

- **Lonrho Mining Limited (“Lonrho”, “Lonrho Mining”, “the Company”) signs option agreement to sell its 80% interest in Schmidtsdrift Alluvial Diamond Operation (“Schmidtsdrift”).** The Company’s divestment of the Schmidtsdrift Alluvial Diamond Mine is a clear signal of its commitment to the Lulo Diamond Concession Prospect (“Lulo”) in Angola. The sale of Schmidtsdrift was recently initiated with a non-refundable option fee of US\$500,000 paid for exclusive rights to the Prospecting License and Mining Equipment by New African Mining AG (“New African Mining”). The option agreement was for an initial period of 14 days dated from 15th August 2008, with the balance of the US\$13.35 million sale price paid upon the conclusion of the deal. Net funds from the sale will be used to further its exploration effort at Lulo Diamond Concession in Angola.
- **Lonrho receives all necessary approvals to develop kimberlites and alluvial deposits at Lulo and continues its divestment strategy, focused for growth in Angola.** Lonrho Mining recently received all necessary approvals to commence exploration and/or mining activities on both the kimberlite and alluvial deposits at Lulo. Given the high prospectivity at Lulo, the Company has divested other assets in its portfolio considered non-core to its business plan during the past six months. These transactions include the sale of the Kamfersdam New Order Prospecting Rights and certain tailings dumps near Kimberley South Africa, to Meepo Investment Consortium Pty Ltd.
- **Production performance at Schmidtsdrift has been below budget however large stones are still being excavated.** The Company recovered two large diamonds at its Schmidtsdrift Alluvial Operations during the May quarter. The 18.39 carat and 61.30 carat fancy yellow diamond reinforces management’s belief that the region can still yield large stones. The larger of the two stones sold for US\$12,305 per carat. A 9.9 carat diamond was recovered from the same mining zone where these two stones were found on the previous day. Up to 31 May 2008, the Company has recovered 338 stones in excess of 5 carats since commencing production in 2006.

Corporate

- Finance Director, Bêrend van Deventer, has resigned from the Company and will serve his notice period until the end of year 2008, allowing him to concentrate on other business interests in South Africa. Will Burbury did not seek re-election as a Director at the recent AGM. He has retired from the position however, still remains the Company Secretary.

Outlook

- RMWise Research has a target price of A\$0.50 per share on the back of exploration success at Lulo, cash at bank, the sale of Schmidtsdrift and its interest in exploration assets in South Africa. The bulk trench sampling campaign scheduled for completion in early 2009 at Lulo is likely to be self-funding. RMWise Research recommends **Lonrho Mining Limited** as a **Speculative Buy**.

Table 1: Asset Valuation for Lonrho Mining Limited (Year End 28/02)

| Asset | A\$m | A\$/sh |
|--|-------------|-------------|
| Schmidtsdrift (Cash from Sale after Liabilities) | 6.5 | 0.06 |
| Lulo Mining Concession – Angola (nominal value) | 38.0 | 0.34 |
| Klipspringer - Resources | 10.0 | 0.09 |
| Cash at Bank | 1.3 | 0.01 |
| Total | 57.0 | 0.50 |

Source: Lonrho Mining Limited, RMWise Research

Company Background

Lonrho Mining Limited is a Perth based diamond explorer and producer listed on the Australian Securities Exchange (“ASX”). The Company’s focus is in southern Africa where it operates an alluvial diamond mine in the northern Cape Province. In addition to production and exploration assets located in South Africa, the Company has a stake in an outstanding diamond prospect called the Lulo Diamond Concession located in northern Angola.

The Lulo Diamond Concession covers an area of 3000km² in northern Angola and lies adjacent to Petra Diamonds Ltd’s (“Petra”) Alto Cuilo and Luangue Diamond projects. The Lulo Concession is part of a Joint Venture Agreement (“JVA”) with Empresa Nacional De Diamantes De Angola (“Endiama”), Angola’s state mining company, and is considered to be highly prospective for both kimberlite pipe and alluvial diamonds.

Lonrho’s only producing asset is its 80% interest in the Schmidtsdrift Alluvial Diamond mine, which has a combined area of 320km² covering 6 adjacent farms. This asset is currently being assessed for purchase by New African Mining under an option agreement.

The Company also has a 20% interest in the Mwana Africa Plc operated Klipspringer Joint Venture (“KJV”). The KJV has an estimated resource of 2.7Mt on the Leopard Fissure kimberlite, of which 500,000 tonnes is classified as a JORC Indicated Resource accessible via existing mine infrastructure. The mine has produced 7,234 carats from 11,956 ROM tonnes at an average grade 60.51cpht during the last quarter. Additional assets include a 100% interest in a grass roots alluvial diamond prospect at Groen River.

Lulo diamond Concession covers 3,000km² of what is considered to be highly prospective for both kimberlite pipe and alluvial diamonds.

Figure 1: Location Map of Lulo Diamond Concession in Northern Angola.



Source: Lonrho Mining Limited

Lulo Kimberlite Diamond Project (LOM: 39% reducing to 30%)

Lonrho has signed a JVA with Empresa Nacional De Diamantes De Angola, Angola's national diamond company, to develop the 3,000km² diamond prospect known as the Lulo Diamond Concession, which is situated in the Lunda Norte province of Angola. With respect to the kimberlite deposits, Lonrho's participating interest will initially be 39% of the JVA decreasing to 30% after the Company recoups its investment in the project.

Figure 2: Lulo Tenement Concession in Angola.

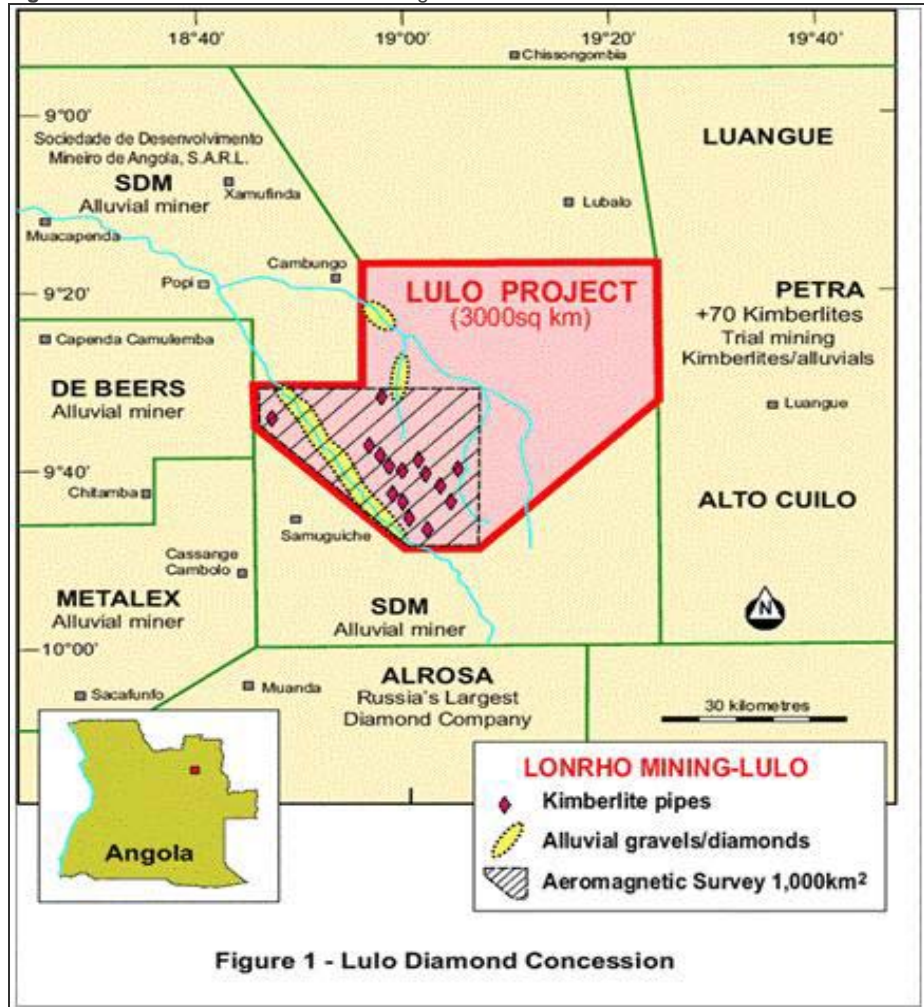


Figure 1 - Lulo Diamond Concession

Source: Lonrho Mining Limited

Evidence from past artisanal mining in combination with a recent magnetic survey undertaken by the Company in February 2008 (see Figure 3 below) shows the concession to be highly prospective for both alluvial and kimberlite diamonds. Lulo is adjacent to the prospective Alto Cuilo Project operated by Petra Diamonds Ltd.

Magnetic imaging conducted by Petra in 2006 highlighted that the kimberlite pipes found at Alto Cuilo were significantly larger than those found in either South Africa or Botswana. Logically, this implies that diamond production from kimberlite sources at Alto Cuilo and possibly the district could be greater than from similar operations from within South Africa and Botswana, who are currently the world's highest yielding districts for gem quality diamonds.

It is anticipated that 75% of the 217 magnetic anomalies identified within the Lulo Concession will convert to kimberlite pipe targets. If one uses the conversion rates used at Alto Cuilo, this equates to approximately 160 targets for possible further investigation at Lulo. Currently 29 kimberlite pipes have been confirmed from historical data. Six of the largest magnetic anomalies from the survey conducted in February 2008, have been targeted for immediate drilling in the upcoming exploration season. Construction of a base camp and associated road infrastructure is well underway, with technical staff employed to manage its progress. The Company is continually assessing the concession to generate additional targets for drilling.

Government gazettal of the kimberlite joint venture sets the way for commencement of exploration on 217 magnetic anomalies have been identified with 160 of these being legitimate targets for further investigation.

Lulo Alluvial Mining (LOM 40%)

Manfred Marx, a respected Geologist and with more than 30 years of experience in the diamond industry is very optimistic about Lulo

Lonrho's interest in alluvial deposits will be 40% of the joint venture with Endiama. An aerial survey undertaken of the Caculo River by consulting geologist, Manfred Marx, revealed extensive surface diggings stretching for some 30km. This is an encouraging sign of diamond bearing gravels.

On ground inspections of the Lulo Concession revealed that the artisanal mining activity mainly concentrated on easily exploitable terraced gravels lying adjacent to the river. The Company's strategy is to mine the higher valued alluvial gravels which lie within the Cuango River bed and can only be achieved through commercial mining of pot-holes within the river bed.

This strategy requires the Company to divert the course of the Caculo River so it can access these pot-holes.

Bulk sampling of the Caculo River bed is expected to begin before the end of 2008

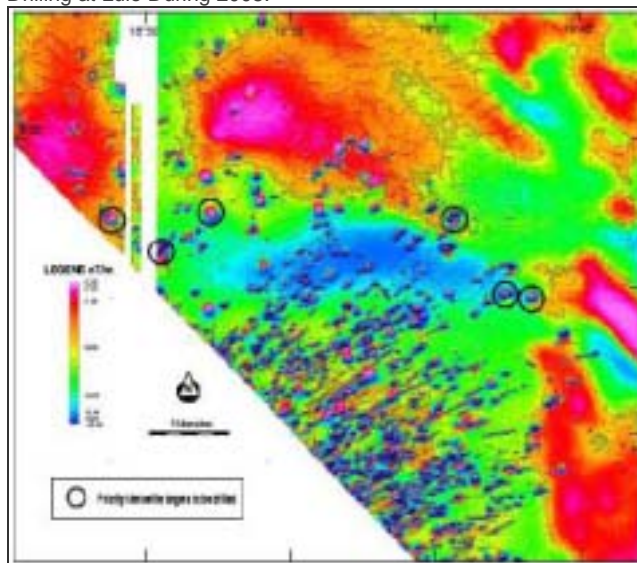
The Company intends to target the Caculo River bed and selected terraces with a 6,000t bulk sampling program, scheduled for completion in early 2009. This first phase of the exploration program will provide the Company with production information and is anticipated to be self-funding.

Lulo is expected to duplicate the same potential as that of the neighbouring Alto Cuilo Project. With ground cover in the alluvial catchments estimated to be less than 20m, the evidence of artisanal mining and with the successful result from bulk sampling carried out on Alto Cuilo already, the Company is in an enviable position of making significant diamond discoveries.

World Diamond Market Summary

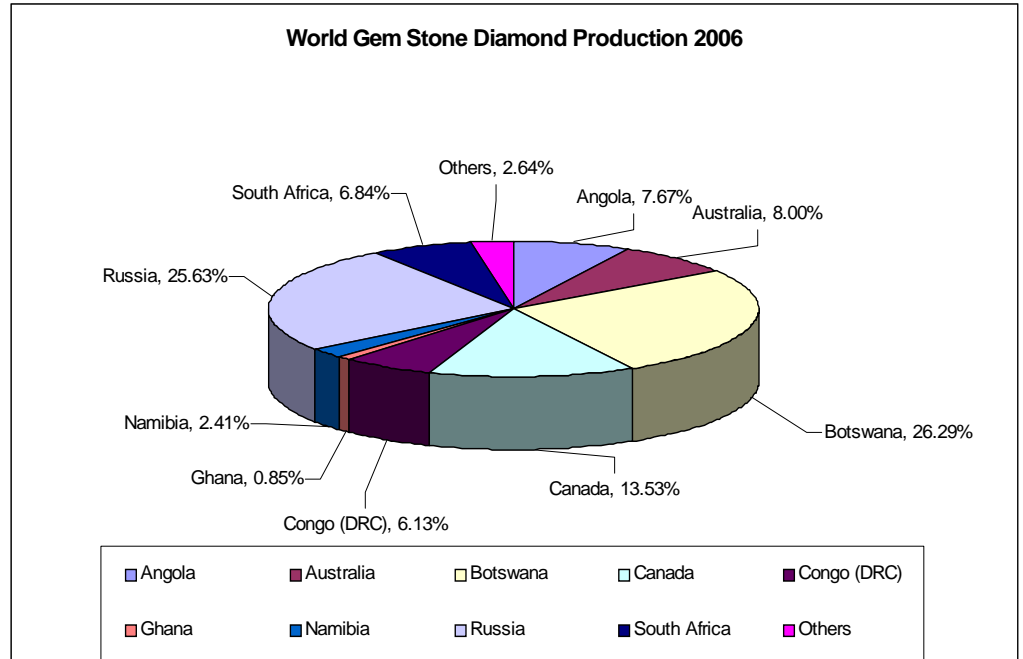
- 2005 global rough diamond production is estimated at ~160m carats & US\$13b per year;
- World diamond trade is concentrated in Antwerp (Belgium), Mumbai (India), Johannesburg (RSA) and Tel Aviv (Israel);
- Gem quality diamonds account for 80% of world production values, of which an estimated 50% is traded in Antwerp;
- Rough diamond trade controlled by De Beers will be freed up after resolving a dispute between the EU, De Beers and rival, Russian company Alrosa Company Ltd ("Alrosa"). It will end De Beers 70% monopolisation of the rough diamond trade allowing Alrosa and other participants to sell rough diamonds on the open market and not solely to De Beers. The opening up of the rough diamond trade will occur between 2006 and 2009;
- Alrosa is the second-largest diamond mining company in the world, accounting for 98% of Russian diamond production. The other major players in the world for rough diamonds are Rio Tinto Limited and BHP Billiton Limited.

Figure 3: Six Out of 217 Magnetic Anomalies are Targeted for Drilling at Lulo During 2008.



Source: Lonrho Mining Limited

Figure 5: World Diamond Production by Country.



Source: USGS, RMWise Research

Other Company Projects

- **Klipspringer (LOM 20%):** Lonrho has a 20% interest in the Southern Era operated Joint Venture which has a resource of 2.8Mt to a depth of 600m.
- **Groen River (LOM 100%):** Groen River is a grass roots alluvial diamond prospect, adjacent to properties held by JV partners, DBMC and Firestone Diamonds Plc. Two conversion applications for prospecting rights have been granted as well as three new applications along the Groen River.

Bulls and Bears

The Bulls Say



- The upcoming exploration program at the Company's Lulo Diamond Concession will be the main driving force behind Lonrho's share price during 2008/09. Lulo is in good company, with Alto Cuilo on the eastern boundary and with the upcoming exploration program anticipated to be self-funding;
- With increasing wealth within the petroleum economies, in particular Russia and the Middle East, it is expected that the demand for diamonds within the jewellery trade will continue unabated. In addition, the opening up of the diamond trade will allow market forces to dictate the pricing mechanism of diamonds where previously it was controlled by monopoly interests.

The Bears Say



- Past sovereignty issues in Angola have been a concern for foreign business investing in Angola. However, with Endiama as part of the Lulo JV it is believed that any risk arising from sovereignty issues has been alleviated;
- Delays in the construction of the base camp may delay subsequent exploration activities. At this stage, no indication of any delays are anticipated and exploration activities will most likely be increases on the back of initial positive exploration results from stage one alluvial bulk sampling program to begin in late 2008.

Directors

Mr David Lenigas BAppSc

Non-Executive Chairman

David Lenigas has more than 24 years experience in the resource industry encompassing the gold, coal, diamond and base metal sectors. He is currently Executive Chairman of Lonrho Africa, Chairman of Leni Gas & Oil Plc, Mediterranean Oil and Gas and a Non-Executive Director of Global Coal Management Plc.

Mr Charles P Mostert B.Com (Hons), MBA, Certificate in Taxation

Chief Executive Officer

Charles Mostert has over 30 years experience in the mining industry with 17 years at Anglo American and 3 years at both Durban Roodepoort Deep and Gold Fields of South Africa. Currently he is a Director of Dome Resources NL and Crown Diamonds NL. In addition, Charles Mostert is a Director of European Television (Pty) Ltd and Kismet Oberon Limited.

Mr Bêrend van Deventer CA (SA)

Financial Director

Bêrend van Deventer has over ten years experience in accounting and finance roles including 7 years in the diamond mining industry. Formerly he was Group Financial Controller for Petra Diamonds Plc.

Mrs Kagiso Chikane

Non-Executive Director

Kagiso Chikane has for the last 20 years primarily been involved in academia and has been a Non-Executive Director of a number of companies in South Africa including Brait South Africa Limited and Strategic Relations Manager of the Meraka Institute at the Council for Scientific and Industrial Research.

Mr Geoffrey White

Non-Executive Director

Geoffrey White is Chief Executive Officer of Lonrho Africa Limited. Prior to this appointment, Geoffrey worked for the private office of His Highness Sheikh Khalifa Al Thani, the Emir of the State of Qatar, in London. He has held senior positions with Thomas Tiling Plc, BTR Plc and Dee Corporation Plc and has been responsible for planning, financing and managing a range of project in the leisure and natural resources sectors.

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Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

| | |
|------------------------|--|
| Buy | Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market. |
| Speculative Buy | We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk. |
| Hold | A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges. |
| Sell | Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere. |

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