LONRHO MINING LIMITED ANNUAL REPORT 2012

COMPETENT PERSONS' STATEMENT

Information in this Report that relates to exploration results, mineral resources or ore reserves is based on information compiled by David Jones BSc (Hons) MSc of Ascidian Prospecting Pty Ltd, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy and Manfred Marx BSc G Dip Env Sc FAusIMM. Mr Jones is a director of Lonrho Mining Limited. Mr Marx is a consultant to Lonrho Mining Limited. Messrs Jones and Marx have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Messrs Jones and Marx consent to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.

UNLOCKING THE WORLD-CLASS POTENTIAL OF THE LULO DIAMOND CONCESSION

Dear Shareholders

It is with pleasure that I present to you the 2012 Annual Report for Lonrho Mining Limited at a time in which the Company enters the most exciting phase in its history.

I refer, of course, to the kimberlite drilling and bulk sampling program at the Lulo Diamond Concession, which has been described by international diamond expert Manfred Marx as one of the most prospective diamond projects in Angola.

It was the world-class exploration potential of the 3,000km^2 Lulo Concession, as highlighted by Mr Marx, which attracted me to join the Company as Chairman in March of this year as part of a review of the Lonrho board.

As you may be aware, I am no stranger to the global diamond industry, having previously served as the Managing Director of Argyle Diamond Mines (1993-2002) before taking up the position of founding Managing Director of Rio Tinto Diamonds.

I would like to pay tribute to the work done by Lonrho's previous chairman, David Lenigas, in helping to position the Company to where its true potential can be unlocked.

The kimberlite exploration program at Lulo is the culmination of almost four years of systematic exploration work. It was back in 2008 when Lonrho conducted a low-level MIDAS aeromagnetic survey over a 1,000km^2 section of the Lulo Concession, which identified no less than 247 kimberlite targets.

In a report prepared published in June 2011, Mr Marx identified 61 of those 247 kimberlite targets as immediate exploration priorities for Lonrho.

As a result, Lonrho has committed to a $12 million program to drill test and bulk sample those 61 priority kimberlite targets. This follows a successful $12.7 million capital raising completed by the Company in March 2012 and approvals being granted from our Angolan joint venture partner Endiama.

The significant progress made by your Company in recent months in preparation for this kimberlite exploration program has included negotiating a $2.2 million contract with specialist South African drilling group BAUER Technologies to drill and bulk sample the kimberlite targets at Lulo.

BAUER is scheduled to have its drill rig on site at Lulo in July 2012.

In addition, Lonrho has significantly upgraded its fleet of Caterpillar earth moving equipment for the kimberlite exploration program and engaged Bond Industries in South Africa to manufacture a new $3.5 million Dense Media Separation (DMS) plant.

‘THE LULO DIAMOND CONCESSION HAS BEEN DESCRIBED BY INTERNATIONAL DIAMOND EXPERT MANFRED MARX AS ONE OF THE MOST PROSPECTIVE DIAMOND PROJECTS IN ANGOLA.’

The kimberlite exploration program aims to find the source, or sources, of the large numbers of gem-quality diamonds which Lonrho continues to recover from its alluvial diamond operations at Lulo.

This includes the 53.2 carat diamond recovered by Lonrho in November 2011 from the BLK_06 alluvial bulk sample pit. This was more than twice the size of the 22.2 carat diamond recovered from the Lulo Concession in 2010.

Adding to the excitement surrounding the kimberlite exploration project is that Lulo is located within 150km of the giant Catoca diamond mine in Angola and on the same geological setting. Catoca, which is operated by Russian giant Alrosa, is considered the third largest kimberlite mine in the world, producing approximately 60 percent of Angola’s diamonds.

Catoca is also the target model for Lonrho’s kimberlite exploration program.

As is often the case in the diamond exploration industry, Lonrho shareholders have had to show great patience as the Company has conducted its systematic exploration programs.

However, Lonrho is now in a position to reward that patience as we seek to unlock the world-class potential of the Lulo Diamond Concession.

GORDON GILCHRIST
June 2012

ABOUT LULO

The Lulo Diamond Concession covers about 3,000km^2 and is located in the Cuango River Basin within the Lunda Norte Province of north-eastern Angola in southern Africa. The project area is situated approximately 750km from Angola's capital city of Luanda and can be accessed via sealed road.

Lulo is surrounded by concessions held by some of the world's biggest diamond miners and is located about 150km west of the 170-million carat Catoca diamond mine. The Lulo Project and Catoca both lie within the Lucarpa Graben an area considered tectonically favourable for kimberlite emplacement. Operated by Russian giant Alrosa, Catoca is considered the third largest kimberlite mine in the world.

The Lulo Project is operated as a joint venture between Lonrho and the Government-owned diamond company Endiama, which is the exclusive concessionary for Angolan diamond mining rights.

Under the joint venture arrangement, Lonrho holds a 40 per cent interest in the Concession relating to alluvials (39 per cent for kimberlites), with Endiama and private Angolan interests holding the balance. Lonrho is the manager and operator on the Concession and funds all exploration activities.

Lulo has world-class diamond exploration potential, with a major kimberlite field identified within the Concession and extensive diamond-bearing alluvials occurring along the Cacuilo and Lulo Rivers.

Lonrho began recovering gem-quality alluvial diamonds from its Dense Media Separation (DMS) plant at Lulo in late 2010, with the biggest diamond recovered to date weighing 53.2 carats. The Company has also commenced a kimberlite exploration program at Lulo, using the Catoca diamond mine as the target model.

Lonrho's kimberlite exploration program is based on a report examining the economic potential of the Lulo Project prepared by international diamond expert Manfred Marx in June 2011.

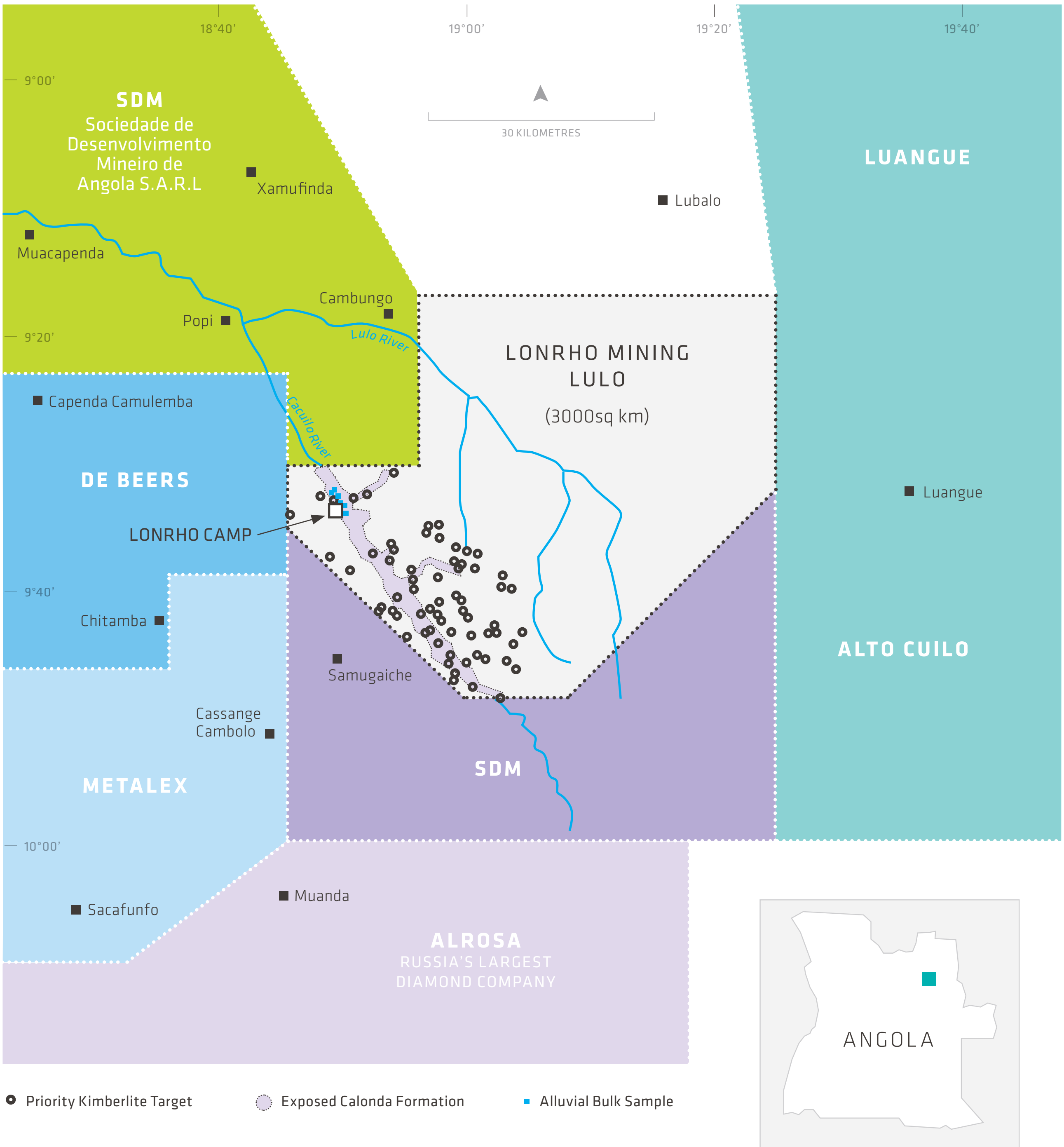
In his report, Mr Marx concluded that Angola was one of the most attractive diamond exploration target areas in the world and that Lulo was one of the most prospective projects, at this stage of its development, In Angola.

Mr Marx also identified 61 of the 247 kimberlite targets at Lulo for priority drilling and bulk sampling. Having adopted those recommendations, the Lonrho Board has committed to a new exploration program to drill and bulk sample the 61 priority kimberlite targets.

This follows the successful completion of a $12.7 million capital raising in March 2012 to fund the kimberlite program.

LULO IS SURROUNDED BY CONCESSIONS HELD BY SOME OF THE WORLD'S BIGGEST DIAMOND MINERS

LULO DIAMOND
CONCESSION



KIMBERLITE EXPLORATION PROGRAM

The kimberlite exploration program being undertaken at Lulo is the culmination of four years of systematic diamond exploration work carried out by Lonrho. In 2008, the Company completed a low-level MIDAS aeromagnetic survey of the upper Cacuilo and Lulo Rivers covering a 1,000km^2 section of the 3,000km^2 Lulo Concession.

Although kimberlites had been recorded in the area, the results from the aeromagnetic survey were a revelation. A preliminary interpretation of the aeromagnetic data was undertaken by independent consulting geophysicist E. O. Kostlin. He concluded that the 217 magnetic anomalies which were clearly visible on the magnetic and radiometric data were, in all likelihood, kimberlite intrusives. Subsequent interpretation of the data by Lonrho's geological team increased the number of likely kimberlite intrusives to 247.

Soil sampling of selected anomalies by Lonrho has confirmed high counts of kimberlitic indicator minerals, supporting the probability of underlying kimberlite pipes.

In his June 2011 report examining Lulo's economic diamond potential, international diamond expert Manfred Marx said it was highly probable that the primary kimberlite source, or sources, of the alluvial diamonds being mined by the garimpeiros within the Cacuilo River catchment awaited discovery within the Lulo Concession.

Mr Marx concluded that most of the 247 magnetic anomalies identified within the Lulo Concession were likely to be classified as kimberlites. He selected 61 of those 247 kimberlite targets for priority drilling and bulk sampling.

Those recommendations were adopted by Lonrho and the kimberlite exploration program was approved by Lonrho's joint venture partner Endiama in December 2011.

In March 2012, Lonrho completed a $12.7 million capital raising to fund the kimberlite exploration program.

The target model for this program is the 170-million Catoca diamond mine, which is located about 150km east of Lulo. The 60-hectare Catoca mine is considered the third biggest kimberlite mine in the world and supplies about 60% of Angola's diamonds.

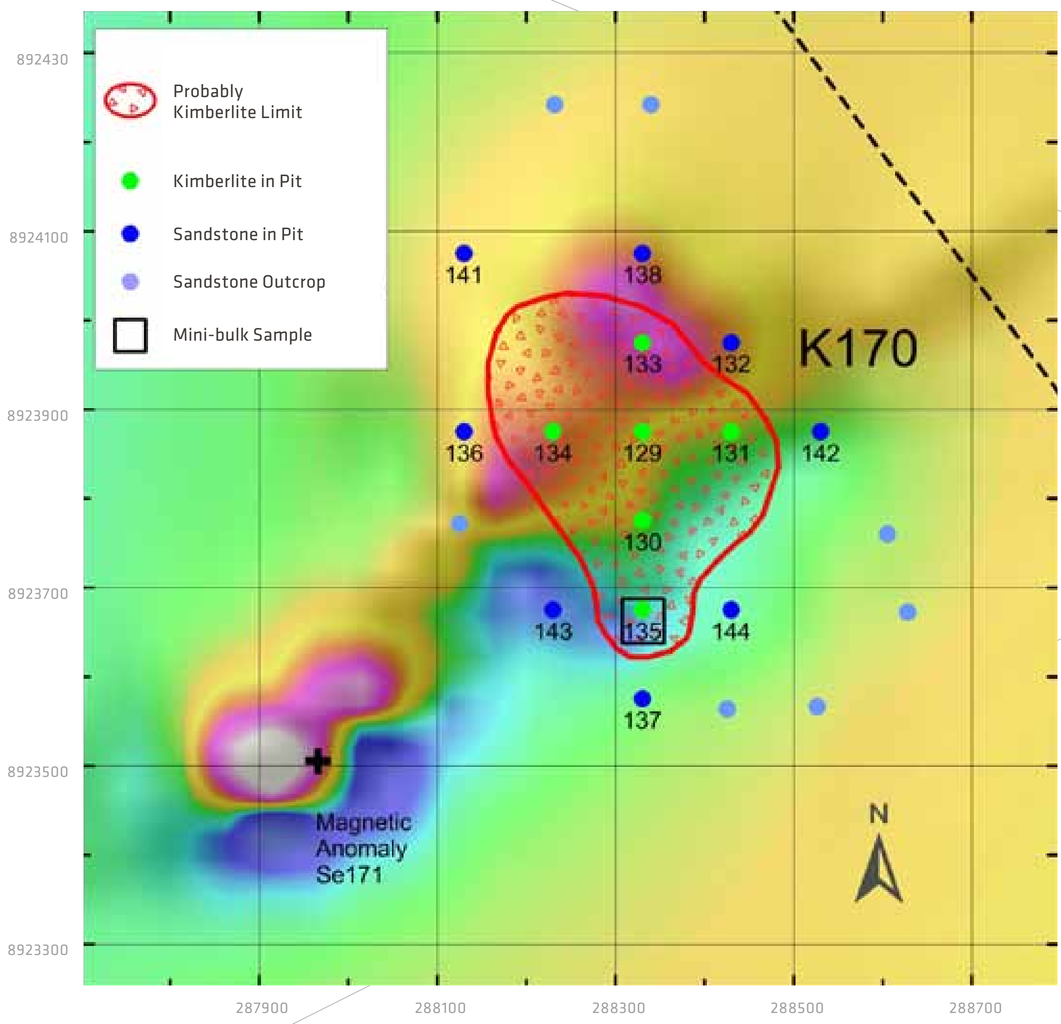
The kimberlite exploration program at Lulo includes:

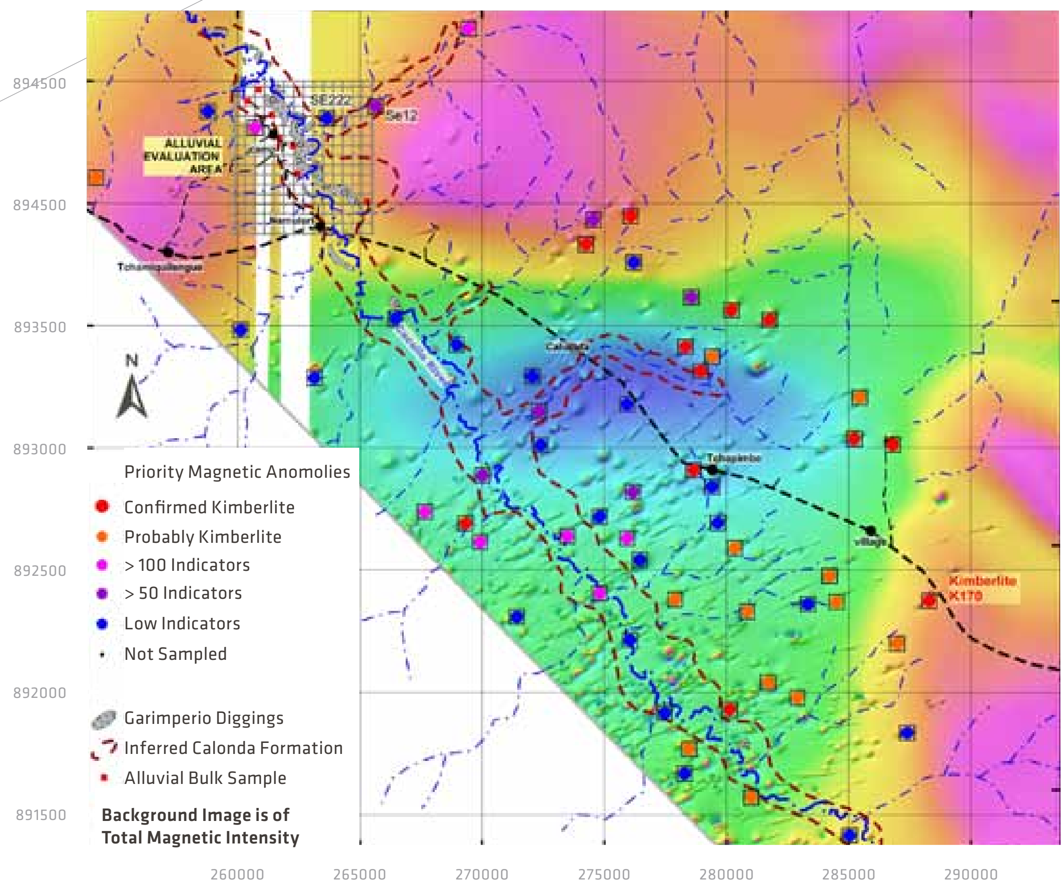
- On-going surface sampling of the 61 priority targets for kimberlitic indicator minerals
- Construction of access roads and bridges
- Manufacture of a new 50tph DMS plant
- Purchase of a new fleet of earthmoving equipment
- Using an excavator to begin sampling shallow buried kimberlite targets
- Narrow diameter diamond drilling of kimberlite targets to a 50m depth
- Large diameter drilling to a 100m depth to extract 25 tonne kimberlite samples for treatment through the DMS plant

By the end of March 2012, Lonrho had engaged Bond Industries in South Africa to manufacture the new $3.5 million DMS diamond recovery plant and purchased a $1 million fleet of new Caterpillar earthmoving equipment, including a bulldozer, excavator, dump truck and two front end loaders.

The Company had also finalised a $2.2 million contract with BAUER Technologies South Africa to undertake the kimberlite drilling programs (both narrow and large diameter drilling).

The kimberlite exploration program seeks to find the source, or sources, of the significant numbers of gem-quality diamonds being recovered from Lonrho's alluvial sampling programs at Lulo.





REGIONAL MAGNETICS AND LOCATION OF PRIORITY KIMBERLITE TARGETS

ALLUVIAL SAMPLING PROGRAM

Lonrho is attempting to identify a commercial alluvial diamond resource within both the Calonda and younger lateritic gravels along an 8km stretch of the Cacuilo River valley, located within the western part of the Lulo Concession.

The Company's ongoing alluvial diamond programs continued to meet with success in 2012. At the time of writing, Lonrho had recovered more than 300 carats of diamonds from the Company's DMS plant.

Most significantly, a gem quality 53.2 carat diamond was recovered from alluvial gravels in November 2011. The 53.2 carat diamond was more than twice the size of the next biggest diamond recovered at Lulo, which was a 22.2 carat stone recovered in 2010.

While a variety of different diamondiferous gravels occur within the Cacuilo River valley, Lonrho is primarily targeting the diamond-rich gravels of an ancient sedimentary unit known as the Calonda Formation.

The Calonda Formation is usually covered by a significant thickness of wind-blown (aeolian) Kalahari sand. However, within the Cacuilo River valley, most of the Kalahari sand has been removed by erosion, which has provided the Company with an accessible window where the Calonda gravels can be more easily accessed and evaluated.

The 53.2 carat stone was one of seven diamonds weighing more than 5 carats recovered from the BLK_06 bulk sample. By the end of February 2012, Lonrho had recovered a total of 116 diamonds from the BLK_06 bulk sample weighing a total of 183.8 carats. This equated to a grade of 40.16 carats per hundred cubic metres (cphm) with an average stone size of 1.58 carats.

The diamonds recovered through Lonrho's DMS plant from the BLK_07 bulk sample during the reporting period were also considered significant.

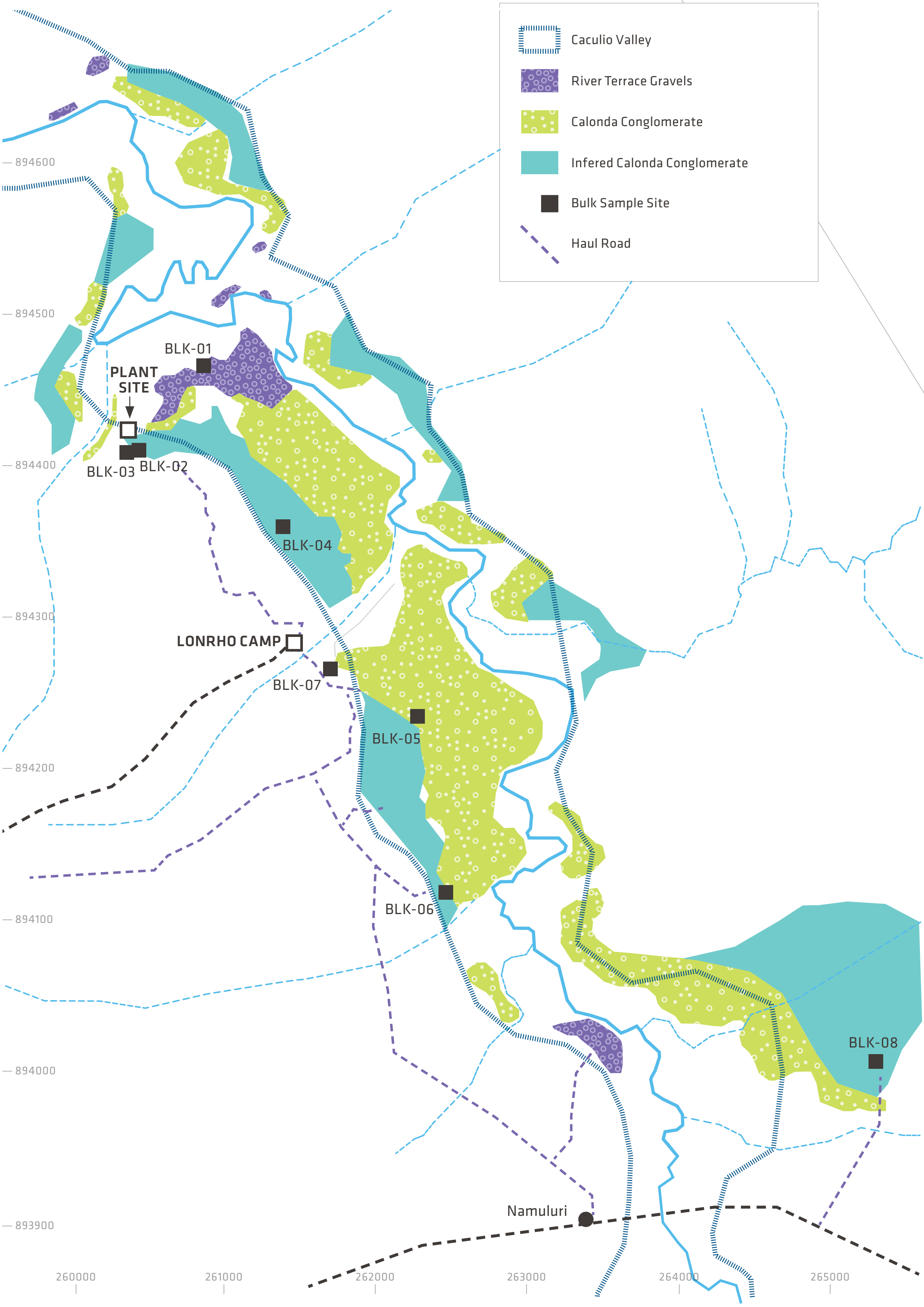
At the time of writing, Lonrho had recovered 43 mostly gem-quality diamonds weighing 25.4 carats from BLK_07, at an average grade of 8.17 cphm.

These diamond recoveries are significant because the BLK_07 bulk sample is targeting lateritic gravels which commonly contain much lower concentrations of diamonds. These lateritic gravels were deposited within the Cacuilo River valley during recent geological times and are widespread within the valley. The lateritic gravels are much younger than the ancient Calonda Formation sedimentary unit, which is Lonrho's primary alluvial diamond target within the Lulo Concession.

Bulk sampling is a pre-cursor to trial mining of alluvials and ultimately diamond production. Lonrho will continue its alluvial bulk sampling programs throughout 2012.

A GEM QUALITY 53.2 CARAT DIAMOND WAS RECOVERED FROM ALLUVIAL GRAVELS IN NOVEMBER 2011

OPPOSITE
ALLUVIAL PROGRAM –
LOCATION OF BULK SAMPLES


Caculio Valley
River Terrace Gravels
Calonda Conglomerate
Infered Calonda Conglomerate
Bulk Sample Site
Haul Road
BLK-01
PLANT SITE
BLK-03
BLK-02
BLK-04
LONRHO CAMP
BLK-07
BLK-05
BLK-06
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Additional information current as at 18 June 2012 required by Australia Securities Exchange Limited Rules and not disclosed elsewhere in this Report.

1. CAPITAL STRUCTURE

ORDINARY SHARE CAPITAL

2,547,463,070 ordinary fully paid shares held by 2,403 shareholders.

Spread			Number of Holders	Number of Shares
1	to	1,000	33	3,925
1,001	to	5,000	37	143,502
5,001	to	10,000	54	490,916
10,001	to	100,000	769	45,142,714
100,001		-	1,510	2,501,682,013

As at 18 June 2012 there were 571 fully paid ordinary shareholders holding less than a marketable parcel.

OPTIONS

135,629,982 listed options expiring 30 June 2012 exercisable at $0.15 held by 88 option holders.

Spread			Number of Holders	Number of 30/6/12 Options
1	to	1,000	1	1
1,001	to	5,000	-	-
5,001	to	10,000	1	6,666
10,001	to	100,000	14	825,165
100,001		-	72	134,798,150

1,566,223,074 listed options expiring 2 December 2013 exercisable at $0.02 held by 591 option holders.

Spread			Number of Holders	Number of 02/12/13 Options
1	to	1,000	2	1,040
1,001	to	5,000	1	5,000
5,001	to	10,000	4	37,741
10,001	to	100,000	131	7,464,680
100,001	to	-	453	1,566,223,074

19,750,000 unlisted options expiring 30 September 2012 exercisable at $0.50

30,000,000 unlisted options expiring 1 August 2013 exercisable at $0.02

2. ON-MARKET BUY-BACK

There is no current on-market buy back.

3. SUBSTANTIAL SHAREHOLDERS

Lonrho Africa Holdings Ltd holds 212,031,498 ordinary fully paid shares, being 8.32 percent of the Company's issued capital.

4. TOP 20 HOLDERS OF QUOTED SECURITIES

Fully Paid Ordinary Shares	Number Held	% of Issued Capital
Lonrho Africa Holdings Ltd	212,031,498	8.32
Khoo Seah Kee	100,000,000	3.93
Lujeta Pty Ltd	50,989,997	2.00
CS Fourth Nominees Pty Ltd	49,999,999	1.96
D Forshaw Batley	42,000,000	1.65
Nutsville Pty Ltd	30,482,000	1.20
MAK Super (WA) Pty Ltd	24,000,000	0.94
Robert N Arnold	22,523,000	0.88
Peter D Adamas	20,000,000	0.79
Benjamin Dark	20,000,000	0.79
AG and PC Brooks	19,000,000	0.75
Nutsville Pty Ltd	18,284,518	0.72
Sinbad Jackson Pty Ltd	17,544,400	0.69
International Plant Construction	17,030,000	0.67
Bond Street Custodians Ltd	17,000,000	0.67
One Dog One Bone Pty Ltd	17,000,000	0.67
TT Nicholls Pty Ltd	16,654,008	0.65
BP Byass	16,559,588	0.65
S and LR Sammut	16,390,000	0.64
Rec WA Pty Ltd	16,100,000	0.63
	743,589,008	29.20

Listed Options expiring 30 June 2012 exercisable at $0.15	Number Held	% of Issued Capital
Lonrho Africa Holdings Ltd	28,333,332	20.89
CS Fourth Nominees Pty Ltd	13,000,000	9.58
Lujeta Pty Ltd	11,426,666	8.42
Ross J Taylor	8,000,000	5.90
One Dog One Bone Pty Ltd	7,000,000	5.16
Delene H Wood	5,000,000	3.69
MAK Super WA Pty Ltd	4,000,000	2.95
G White	4,000,000	2.95
Delstar International Ltd	4,000,000	2.95
John LG Firth	4,000,000	2.95
Oglobry Kagiso Chikane	4,000,000	2.95
Middle East Petroleum SVC	3,333,332	2.46
Nutsville Pty Ltd	3,166,666	2.33
Perizia Investment Pty Ltd	1,642,500	1.21
Jomot Pty LtdCM Keating	1,545,590	1.14
HSBC Custody Noms Aust Ltd	1,500,000	1.11
Sinbad Jackson Pty Ltd	1,500,000	1.11
Santosh Bhat	1,400,000	1.03
RH and FM Beevor	1,333,332	0.98
Craig M Keating	1,300,000	0.96
	109,481,418	80.72

Listed Options expiring 2 December 2013 exercisable at $0.02	Number Held	% of Issued Capital
One Dog One Bone Pty Ltd	70,000,000	4.45
Pershing Aust Noms Pty Ltd	61,500,000	3.91
Indian Ocean Capital Pty Ltd	45,000,000	2.86
Nutsville Pty Ltd	45,000,000	2.86
Perizia Inv Pty Ltd	43,222,864	2.75
HSBC Custody Noms Aust Ltd	35,065,000	2.23
JK Patoir	35,000,000	2.22
S and LR Sammut	30,454,400	1.94
Peter D Adams	30,000,000	1.91
Ross J Taylor	25,000,000	1.59
KJ and JA Faulkner	21,000,000	1.33
Don F Batley	21,000,000	1.33
Portmore Corp Pty Ltd	20,404,500	1.30
Fleubaix Pty Ltd	20,000,000	1.27
John Musca	16,300,000	1.04
Gerald Wells	15,250,000	0.97
TT Nicholls Pty Ltd	15,000,000	0.95
AG and PC Brooks	15,000,000	0.95
Kapiri Holdings Pty Ltd	15,000,000	0.95
Gary C Castledine	15,000,000	0.95
	594,196,764	37.76

Unlisted Options Expiring 30 September 2012 at $0.50	Number Held
C Mostert	3,000,000
W Burbury	2,500,000
B Van Deventer	2,500,000
G White	2,000,000
D Lenigas	2,000,000
Wills and Trust Drafting Services	2,000,000
Mandfred R Marx & Associates Pty Ltd	1,750,000
S Mapengu	1,750,000
G Du Plessis	1,750,000
C Nienabar	500,000
Expiring 1 August 2013 @ $0.02	
Farfel Pty Ltd	10,000,000
DA Lenigas	5,000,000
G White	5,000,000
International Plant Construction	5,000,000
J Mathie	5,000,000

The ASX Listing Rules require listed companies to include in their Annual Report a statement disclosing the extent to which they have complied with the commendations of the ASX Corporate Governance Council in the reporting period. These recommendations are guidelines designed to improve the efficiency, quality and integrity of the Company. The recommendations are not prescriptive so that if a company considers that a recommendation is inappropriate having regard to its own circumstances, the company has the flexibility not to follow it. Where a company has not followed all the recommendations, the Annual Report must identify which recommendations have not been followed and give reasons for not following them.

The Company's Corporate Governance Charter, this Corporate Governance Statement and other information for shareholders is displayed on the Company's website www.lonrho.com.au.

At the end of this Statement there is a table which sets out the recommendations and states whether the Company has complied with each recommendation in the reporting period and the reasons for non-compliance of any recommendation are given.

ROLE OF THE BOARD

The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of shareholders which it accomplishes by:

- establishing corporate governance and ethical business standards;
- setting and monitoring objectives, goals and strategic direction with a view to maximising shareholder value;
- approving and monitoring budgets and financial performance;
- ensuring adequate internal controls exist and are appropriately monitored for compliance;
- ensuring significant business risks are identified and appropriately managed;
- approving financial and other reporting prior to lodgement with statutory bodies and release to shareholders;
- ensuring the composition of the Board is appropriate, selecting directors for appointment to the Board and reviewing the performance of the Board and the contributions of individual directors;
- setting remuneration policy and evaluating the performance of senior executives.

BOARD COMPOSITION

The Board comprises one non-executive director (Gordon Gilchrist, who is Chairman), a chief executive officer (Miles Kennedy) and an executive technical director (David Jones).

At present the composition of the Board does not meet the suggested standard of independent directors.

All directors have a broad range of qualifications, experience and expertise in managing diamond exploration companies, as set out in the Directors' Report. There is no requirement for any director's shareholding qualification.

As the Company's activities increase in size and scope the composition and size of the Board will be reviewed periodically to ensure it comprises the optimum number of directors required to adequately supervise the Company's business.

The evaluation of individual director's performance is undertaken by the Chairman as and when appropriate.

All directors, apart from the Chief Executive Officer, are subject to shareholder re-election by rotation at least every three years. The Company's Constitution provides that one-third of the directors retire by rotation at each Annual General Meeting. Those directors who are retiring may submit themselves for re-election by shareholders, including a director appointed to fill a casual vacancy since the date of the last AGM.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

The Company acknowledges that directors require high quality information and advice on which to base their decisions and conditions. With the prior approval of the Chairman, all directors have the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors. If the Chairman is unable or unwilling to give approval, Board approval will be sufficient.

BOARD PROCESSES

The Board of the Company meets on a regular basis. The agenda for these meetings is prepared by the Chief Executive Officer and the Company Secretary in conjunction with the directors. Relevant information is circulated to directors in advance of Board meetings.

BOARD COMMITTEES

The Company does not have at this time any of the recommended committees covering nomination, audit or remuneration. The full Board undertakes the functions of these individual committees. Given the composition of the Board and the size of the Company it is considered that individual committees are not presently warranted.

ROLE OF MANAGEMENT

The Board has delegated responsibilities and authorities to the executive staff to enable management to conduct the Company's day-to-day activities. Matters which are not covered by these delegations, such as approvals which exceed certain limits or do not form part of the approved budget require Board approval.

An evaluation of the performance of senior management during each financial year, including the Chief Executive Officer is undertaken at a meeting of the non-executive members of the Board, with the Chairman discussing this review separately with the Chief Executive Officer. This is considered to be an appropriate process as the Company is in the exploration and evaluation stage therefore it is not possible to evaluate performance against revenue or profit targets.

ETHICAL STANDARDS

As part of the Board's commitment to the highest standard of conduct, the Company has adopted a Code of Conduct to guide executives, management and employees in carrying out their duties and responsibilities. The Code of Conduct is incorporated with the Charter and encompasses:

- responsibilities to shareholders;
- compliance with laws and regulations;
- relationships with clients and customers
- conflicts of interest;
- employment practices; and
- responsibilities to the community.

All directors are required to adhere to a corporate ethics policy and they are restricted from dealing in Company securities when they are in possession of price sensitive information and during specified periods before or after the release of half and full year results. The corporate ethics policy and the securities dealings restrictions are also detailed in the Charter.

The Board has resolved that the relevant sections of the Charter, particularly the Code of Conduct, corporate ethics policy, securities dealings restrictions and continuous disclosure obligations should also extend to cover all executives, employees and consultants of the Company.

CONTINUOUS DISCLOSURE AND SHAREHOLDER COMMUNICATION

The Board is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market in accordance with continuous disclosure obligations under the ASX Listing Rules, the Company has procedures in place to ensure that all price sensitive information is identified, reviewed by management and disclosed to the ASX in a timely manner. These are also detailed in the Charter. All information disclosure to the ASX is posed on the Company's website.

Shareholders are forwarded the Company's Annual Report if requested and documents relating to each general meeting, being the Notice of Meeting, any explanatory memorandum and a proxy form, and are invited to attend these meetings. The Company's external auditor is also required to be present at the Annual General Meetings to answer any queries shareholders may have with regard to the audit and preparation and content of the Audit Report.

MANAGING BUSINESS RISK

The Board constantly monitors the operational and financial aspects of the Company's activities and is responsible for the implementation and ongoing review of the business risks that could affect the Company. Duties in relation to risk management that conducted by the Board include, but are not limited to:

- initiate action to prevent or reduce the adverse effects of risk;
- control further treatment of risks until the level of risk becomes acceptable;
- identify and record any problems relating to the management of risk;
- initiate, recommend and provide solutions through designated channels;
- verify the implementation of solutions; and
- communicate and consult internally and externally as appropriate.

In accordance with section 295A of the Corporations Act 2001, the persons performing the roles of Chief Executive Officer and Chief Financial Officer are required to provide a declaration to the Board that the financial records of the Company have been properly maintained, the financial statements comply with the accounting standards and give a true and fair view of the Company's financial position and performance. In addition, as required by the Recommendations, the declaration is founded on a found system of risk management and internal control which implements policies adopted by the Board and the Company's risk management and internal compliance control system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.

The Company summarises below its compliance with the ASX Corporate Governance Council's Revised Principles and Recommendations.

PRINCIPLES & RECOMMENDATIONS	COMPLIANCE	COMPLY
Principle 1 – Lay Solid Foundations for Management and Oversight		
1.1 Establish the functions reserved to the Board of directors (Board) of Lonrho Mining Limited (Company) and those delegated to manage and disclose those functions	The Board is responsible for the overall corporate governance of the Company. The Board has adopted a Board charter that formalises its roles and responsibilities and defines the matters that are reserved for the Board and specific matters that are delegated to management. On appointment of a director, the Company issues a letter of appointment setting out the terms and conditions of appointment to the Board.	Compliant.
1.2 Disclose the process for evaluating the performance of senior executives	The non-executive members of the Board undertake annual assessment of the executives' performance.	Complies to the extent that non-executive members of the Board undertake assessment of executives' performance.
1.3 Provide the information indicated in Guide to reporting on Principle 1	A summary of the Board's functions and responsibilities has been disclosed on the Company's website and is summarised in this Corporate Governance Statement.	Complies.
Principle 2 – Structure the Board to Add Value		
2.1 A majority of the Board should be independent directors	The majority of the Board's directors are not independent as a majority of the Board executive directors of the Company. Mr Gordon Gilchrist is a non-executive director. Messrs Miles Kennedy and David Jones are executive directors.	Does not comply however the skills and experience of both the independent and non-independent directors allow the Board to act in the best interests of shareholders.
2.2 The chair should be an independent director	Mr Gordon Gilchrist is a non-executive director of the Board but is not independent.	Does not comply – refer explanation in 2.1.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual	Mr Gordon Gilchrist is the chairman and Mr Miles Kennedy is the chief executive officer.	Complies.
2.4 The Board should establish a nomination committee	Given the size of the Board, it was determined that the Board will execute the functions of a nomination committee and that a separate nomination committee is unnecessary.	Does not comply for reasons given under 2.6 below.
2.5 Disclose the process for evaluating the performance of the Board, its committees and individual directors.	The Company did not conduct a performance evaluation of the Board, and has not adopted a performance evaluation policy.	Does not comply. Refer 1.2 above.
2.6 Provide the information indicated in the Guide to reporting on Principle 2	This information has been disclosed (where applicable) in the Directors' Report in the Company's 2012 Annual Report. A director is considered independent when he substantially satisfies the test for independence as set out in the ASX Corporate Governance Recommendations. Members of the Board are able to take independent professional advice at the expense of the Company. The Board carries out the functions of a nomination committee. In accordance with the information suggested in Guide to Reporting on Principle 2, the Company has disclosed full details of its Directors in the Director's Report. Other disclosure material as suggested in Guide to Reporting on Principle 2 has been made available on the Company's website.	Does not comply. Given the size of the Board, the Directors determined that it will execute the functions of a nomination committee and that a separate nomination committee is unnecessary. In addition, the Board does not consist of a majority of independent directors however the skills and experience of both the independent and non-independent directors allows the Board to act in the best interests of shareholders.

Principle 3 – Promote Ethical and Responsible Decision Making		
3.1 Establish a code of conduct and disclose the code or a summary of the code.	The Board has adopted a code of conduct that is contained within the Board charter. The code establishes a clear set of values that emphasise a culture encompassing strong corporate governance, sound business practices and good ethical conduct. The code of conduct is encompassed within the Board Charter and is available on the Company's website.	Complies.
3.2 Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	The Company has adopted a securities trading policy that applies to trading in shares in the Company by any director or employee of the Company. This policy is available on the Company's website.	Complies.
3.3 Provide the information indicated in Guide to reporting on Principle 3.	The code of conduct and securities trading policy are available on the Company's website. The securities trading policy is summarised in this Corporate Governance Statement.	Complies.
Principle 4 – Safeguard Integrity in Financial Reporting		
4.1 The Board should establish an audit committee	An audit committee has not been established by the Board.	Does not comply. Given the size of the Board, the Directors determined that it will execute the functions of an audit committee and that a separate audit committee is unnecessary.
4.2 The audit committee should be structured so that it consists of only non-executive directors, a majority of independent directors, is chaired by an independent chair who is not chair of the Board and have at least 3 members.		Does not comply, for reasons given in 4.1 above.
4.3 The audit committee should have a formal charter	An audit committee has not been established by the Board. The functions of an audit committee are reserved for the Board and operate under the Board Charter	Does not comply, for reasons given in 4.1 above.
4.4 Provide the information indicated in Guide to reporting on Principle 4	The functions associated with safeguarding the integrity in financial reporting are carried out by the Board; is encompassed within the Board Charter which is available on the Company's website and summarised in this Corporate Governance Statement.	Does not comply, for reasons given in 4.1 above.
Principle 5 – Make Timely and Balanced Disclosure		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	The Company has adopted a continuous disclosure policy, to ensure that it complies with the continuous disclosure regime under the ASX Listing Rules and the Corporations Act 2001. This policy is available on the Company's website.	Complies.
5.2 Provide the information indicated in the Guide to reporting on Principle 5	The Company's continuous disclosure policy is available on the Company's website.	Complies.

Principle 6 – Respect the Rights of Shareholders		
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose that policy or a summary of that policy.	The Company has adopted a shareholder communications policy. The Company uses its website www.lonrho.com.au, annual report, market announcements and media disclosures to communicate with its shareholders, as well as encourage participation at general meetings. This policy is available on the Company's website.	Complies.
6.2 Provide the information indicated in the Guide to reporting on Principle 6	The Company's shareholder communications policy is available on the Company's website.	Complies.
Principle 7 – Recognise and Manage Risk		
7.1 Establish policies for the oversight and management of material business risks and disclose a summary of these policies	The Company has not adopted a risk management statement.	Does not comply. However ultimate responsibility for risk oversight and risk management rests with the Board and operates under the Board Charter.
7.2 The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.	The Company has identified key risks within the business. In the ordinary course of business, management monitor and manage these risks. Key operational and financial risks are presented to and reviewed by the Board at each Board meeting.	Complies.
7.3 The Board should disclose whether it has received assurance from the chief executive officer and chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	The Board as a whole has made a declaration under section 295A of the Corporations Act 2001 that the financial accounting system is founded on a sound system of risk management and internal control and that the system is operating efficiently and effectively in all material respects in relation to the financial reporting risks.	Complies.
7.4 Provide the information indicated in Guide to reporting on Principle 7	The Board has not adopted an audit and risk charter, however has identified key risks within the business.	Complies.
Principle 8 – Remunerate Fairly and Responsibly		
8.1 The Board should establish a remuneration committee	The Board has not established a remuneration committee and has not adopted a remuneration charter.	Does not comply. Given the size of the Board, the Directors have determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary.
8.2 Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Company complies with the guidelines for executive remuneration packages and non-executive director remuneration.	Complies.
8.3 Provide the information indicated in the Guide to reporting on Principle 8	The Board has not adopted a remuneration committee charter. The Company does not have any schemes for retirement benefits other than superannuation for non-executive directors.	Does not comply. Given the size of the Board, the Board has determined that it will execute the functions of a remuneration committee and that a separate remuneration committee is unnecessary. With respect to this compliance issue, the Board will review its position annually.

FINANCIAL REPORT

$12.7 MILLION CAPITAL RAISED IN MARCH 2012 TO FUND LONRHO'S MAJOR KIMBERLITE EXPLORATION PROGRAM FOCUSING ON 61 PRIORITY TARGETS

The directors present their report together with the financial report of Lonrho Mining Limited (the Company or Lonrho) and of the Group, being the Company and its jointly controlled entity, for the financial year ended 29 February 2012 and independent auditor's report thereon.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Name	Position	Date of appointment	Date of resignation
M Kennedy	Chief Executive Officer	12 September 2008	-
D Jones	Exploration Director	26 February 2010	-
D Lenigas	Non-executive Chairman	21 August 2006	27 March 2012
G White	Non-executive Director	1 July 2007	27 March 2012
G Gilchrist	Non-executive Chairman	27 March 2012	-

The qualifications, experience and other directorships of the directors in office at the date of this report are:

Miles Alistair Kennedy Chief Executive Officer

Mr Kennedy has held directorships of Australian listed resource companies for the past 29 years. He is Chairman of Resource and Investment NL and MOD Resources Ltd. Mr Kennedy was Chairman of Sandfire Resources NL, Kimberley Diamond Company NL, Blina Diamonds NL, Macraes Mining Company Ltd and has extensive experience in the management of public companies with specific emphasis in the resources industry. He lives in Perth, Western Australia.

David Jones Exploration Director

Mr Jones is one of Australia's most experienced and successful diamond exploration geologists. He began his diamond exploration career in 1976 as part of the Ashton Joint Venture team conducting regional exploration programs in the Kimberley including preliminary exploration in the Ellendale Field. He has held senior exploration and management positions with a number of diamond exploration companies including Ashton Mining, Cluff Resources, Metana Minerals, Western Reefs, Kimberley Diamond Company NL and was Managing Director of Blina Diamonds NL. He lives in Perth, Western Australia.

David Anthony Lenigas Non-executive Chairman

Mr Lenigas holds a Bachelor of Applied Science in Mining Engineering. He has extensive experience operating in the public company environment and is currently Chairman of Lonrho Plc, LonZim Plc, Leni Gas & Oil Plc, is an Executive Director of Vatukoula Gold Mines Plc and Non-Executive Director of Zest Group. He lives in London, United Kingdom.

Geoffrey White Non-executive Director

Mr White holds a BSc in Economics and Management Science. During his 28 year career he has held senior management roles with Thomas Tiling Plc, BTR Plc, Dee Corporation Plc, Asda Plc and latterly worked for five years for a private investment fund based in London. He is currently Chief Executive Officer of Lonrho Plc and an Executive Director LonZim Plc. He lives in London, United Kingdom.

Gordon Gilchrist Non-executive Chairman

Mr Gilchrist holds a MSc in Business and MA in Physics. In 1993, Mr Gilchrist was appointed Managing Director of Argyle Diamond Mines in Western Australia, a position he held until 2002. During that time, Argyle grew to become the world's biggest diamond producer, by volume. Mr Gilchrist then became the founding Managing Director of Rio Tinto Diamonds, based out of Antwerp in Belgium, and served in that capacity until 2005. He lives in Perth, Western Australia.

2. COMPANY SECRETARY

Ms Jean Mathie holds the position of Company Secretary and was appointed to the position in September 2008. She is also Company Secretary for listed Australian entity Resource and Investment NL.

3. DIRECTORS' MEETINGS

No directors' meetings were held during the year. All resolutions of the Board were made by circular resolution.

4. NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activity during the course of the financial year was the exploration of diamond projects in Angola.

5. OPERATING AND FINANCIAL REVIEW

The consolidated loss for the year ended 29 February 2012 was $1,268,813 (2011: $1,694,152).

The total comprehensive income for the period attributable to owners of the Group for the year ended 29 February 2012 was loss of $2,146,719 (2011: loss of $2,532,785).

PROJECT REVIEW, STRATEGIES AND FUTURE PROSPECTS
LULO DIAMOND CONCESSION

About Lulo

The Lulo Diamond Concession covers a total area of about 3,000km^2 and is located in the Cuango River Basin within the Lunda Norte Province of north-eastern Angola in southern Africa. The project area is situated approximately 750km from Angola's capital city of Luanda and can be accessed via sealed road.

Lulo is surrounded by concessions held by some of the world's biggest diamond miners and is located about 150km west of the 170-million carat Catoca diamond mine. Operated by Russian giant Alrosa, Catoca is considered the third largest kimberlite mine in the world.

The Lulo Project is operated as a joint venture between Lonrho and the Government-owned diamond company Endiama, which is the exclusive concessionary for Angolan diamond mining rights.

Under the joint venture arrangement, Lonrho holds a 40 per cent interest in the Concession relating to alluvials (39 per cent for kimberlites), with Endiama and private Angolan interests holding the balance. Lonrho is the manager and operator on the Concession and funds all exploration activities.

In the event that a mining operation is commenced within the Lulo Concession, Lonrho is entitled to first recover all of its exploration and development costs, after which the proceeds will be shared proportionally between the stakeholders.

Lulo has world-class diamond exploration potential, with a major kimberlite field identified within the Concession and extensive diamond-bearing alluvials occurring along the Cacuilo and Lulo Rivers.

Lonrho began recovering gem-quality alluvial diamonds from Lulo in late 2010, with the biggest diamond recovered to date weighing 53.2 carats. The Company has also commenced a kimberlite exploration program, which was approved by Endiama on 7 December 2011. The kimberlite exploration program is based on a report examining the economic potential of the Lulo Project prepared by international diamond expert Manfred Marx in June 2011.

Alluvial Sampling Program

The early alluvial exploration programs included an extensive review of old alluvial operations within the Lulo Concession covering an area of shallow diggings by artisanal miners (garimpeiros) within gravels located in the valley of the Cacuilo River.
The garimpeiro operations were not mechanised and targeted exposed and easily accessible gravels.

A mapping program was also conducted at Lulo to locate and characterise the alluvial deposits within the Cacuilo River Valley. Significantly, preliminary work demonstrated that gravel deposits of at least three different ages were present within the mapping area. These included the Cretaceous-aged Calonda Formation gravels, which were identified as the main target for the garimpeiro diggings.

The Calonda Formation occurs beneath the overlying Kalahari sands and vastly increases the potential for the area to host alluvial diamond deposits.

A systematic exploration pitting program was then commenced to define and delineate gravel distribution within the broader Cacuilo River Valley, with emphasis placed on identifying areas of Calonda Formation gravels and to locate potential bulk sample sites.

The Lulo Project reached a significant milestone in 2010 when Lonrho established and re-commissioned a 15-tonne per hour Dense Media Separation (DMS) plant near the field camp to test the diamond content of the alluvial bulk samples.

Other key items of equipment – including an excavator, front end loader, bulldozer and six-wheel dump truck – also arrived on site at Lulo in 2010 to undertake preliminary earthmoving operations.

The first diamond recovered from the DMS plant from the alluvial bulk sampling operations was a gem-quality stone weighing 22.2 carats in November 2010.

The recent BLK_06 bulk sample has produced the best results to date. By the end of March 2012, a total of 116 diamonds had been recovered from BLK_06 weighing 183.8 carats.

This produced an exceptional average grade of 40.16 carats per 100 cubic metres. The biggest diamond recovered from BLK_06 was a gem-quality stone weighing 53.2 carats.

In total, Lonrho had recovered 238 diamonds from its alluvial bulk sampling operations by the end of March 2012.

Significantly, Lonrho has also recovered large numbers of gem-quality diamonds from lateritic gravels at Lulo, which are much younger than the Calonda Formation gravels. This is significant because the lateritic gravels are widespread throughout the Lulo Concession.

Bulk sampling is a pre-cursor to trial mining of alluvials and ultimately diamond production. Lonrho will continue its alluvial bulk sampling programs throughout 2012.

Kimberlite Exploration Program

Lonrho completed a low-level MIDAS aeromagnetic survey of the upper Cacuilo and Lulo Rivers in 2008 covering a 1,000km^2 section of the 3,000km^2 Lulo Concession.

Although kimberlites had been recorded in the area, the results from the aeromagnetic survey were a revelation. A preliminary interpretation of the aeromagnetic data was undertaken by independent consulting geophysicist E.O. Kostlin. He concluded that the 217 magnetic anomalies which were clearly visible on the magnetic and radiometric data were, in all likelihood, kimberlite intrusives. Subsequent interpretation of the data by Lonrho's geological team increased the number of likely kimberlite intrusives to 247.

Subsequent soil sampling of selected anomalies by Lonrho has confirmed high counts of kimberlitic indicator minerals, supporting the probability of underlying kimberlite pipes.

In June 2011, international diamond expert Manfred Marx prepared a report into the economic diamond potential of the Lulo Project. In his report, Mr Marx indicated it was highly probable that the primary kimberlite source or sources of the alluvial diamonds being mined by the garimpeiros within the Cacuilo River catchment awaited discovery within the Lulo Concession.

Mr Marx concluded that most of the 247 magnetic anomalies identified by Lonrho within the Lulo Concession were likely to be classified as kimberlites. This view was based on the magnetic signatures of the 24 known kimberlite pipes within this province at Lulo, supported by the surface indicator mineral and diamond distribution patterns.

In December 2011, Lonrho outlined plans for a major kimberlite exploration program to focus on the 61 priority targets identified by Mr Marx in his June 2011 report.

This new kimberlite work program was approved by Lonrho's joint venture partner Endiama on 7 December 2011. In March 2012, Lonrho completed a $12.7 million capital raising to fund the kimberlite exploration program.

The target model for this new exploration program is the 170-million Catoca diamond mine in Angola, which is located about 150km east of Lulo. The 60-hectare Catoca mine is considered the third biggest kimberlite mine in the world and supplies about 60% of Angola's diamonds.

The kimberlite exploration program at Lulo includes:

- on-going surface sampling of the 61 priority targets for kimberlitic indicator minerals;
- construction of access roads and bridges;
- purchase of a new 50tph DMS plant and earthmoving equipment;
- using an excavator to begin sampling shallow buried kimberlite targets;
- narrow diameter diamond drilling of kimberlite targets to a 50m depth;
- large diameter drilling to a 100m depth to extract 25 tonne kimberlite samples for treatment through the DMS plant.

By the end of March 2012, Lonrho had purchased a new $3.5 million DMS diamond recovery plant and a $1 million fleet of new Caterpillar earthmoving equipment, including a bulldozer, excavator, dump truck and two front end loaders.

The Company had also finalised a $2.2 million contract with BAUER Technologies South Africa to undertake the kimberlite drilling programs (both narrow and large diameter drilling).

Review of financial condition

For the year ended 29 February 2012 the Group recorded a loss of $1,268,813 and as at 29 February 2012 had net assets of $12,829,918.

The Group is focused on its Angolan diamond exploration interests in the Lulo Project. This project requires ongoing exploration work and funding. Based on the cash flow forecasts, the directors are satisfied that the going concern basis of preparation is appropriate.

Significant changes in the state of affairs

Corporate

The Company completed the following issued capital and option transactions during the period.

Transaction	Number	Issue/exercise price	Funds raised	Option expiry
Issue of shares	400,808,671	$0.01	$4,008,086.71	
Issue of options	400,808,671	$0.02	-	2 December 2013
Expiry of options	10,000,000	$0.375	-	15 December 2011

6. DIVIDENDS

No dividends were paid or declared during the current or prior financial year.

7. ENVIRONMENTAL REGULATION

The Group's exploration activities are subject to various environmental regulations. The Board is responsible for the regular monitoring of environmental exposures and compliance with environmental regulations. The Group is committed to achieving a high standard of environmental performance and conducts its activities in a professional and environmentally conscious manner and in accordance with each country's applicable laws and permit requirements. The Board believes that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company and the Group.

8. EVENTS SUBSEQUENT TO REPORTING DATE

In March 2012, the Company completed its $12.7 million entitlement issue, under which a total of 1,273,731,500 shares and options were issued to raise $12.7 million. As at 29 February 2012 the Company had received $7,705,586 and issued 400,808,671 shares in relation to this issue. Indian Ocean Capital Pty Ltd received 300 million options and $636,850 as fees for acting as lead manager of the issue.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

9. LIKELY DEVELOPMENTS

Expected results of certain operations of the Group and likely developments in those operations are included within this Directors' Report. Disclosure of any further information has not been included in this Directors' Report because, in the opinion of the directors, to do so would result in unreasonable prejudice to the Group.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options over such instruments issued by the Group and other related bodies corporate, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows.

	Ordinary shares	Options over ordinary shares			
Director	Fully paid	Expiring 30 Sep 2012 (LOMAI)	Expiring 30 Jun 2012 (LOMO)	Expiring 1 Aug 2013 (LOMAK)	Expiring 2 Dec 2013 (LOMOA)
M Kennedy	32,000,000	-	4,000,000	-	16,000,000
D Jones	2,660,000	-	-	10,000,000	-
G Gilchrist	700,000	-	-	-	-

11. SHARE OPTIONS

UNISSUED SHARES UNDER OPTIONS

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price	Number of shares
30 June 2012	$0.15	135,629,982
30 September 2012	$0.50	19,750,000
1 August 2013	$0.02	30,000,000
2 December 2013	$0.02	400,808,671

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

OPTIONS GRANTED TO DIRECTORS AND EXECUTIVES OF THE COMPANY

During or since the end of the financial year, the Company has not granted any options to its directors and/or executives.

SHARE OPTIONS

The following options over ordinary shares were issued by the Company during or since the end of the financial year.

Expiry date	Exercise price	Number of shares
2 December 2013	$0.02	400,808,671

EXERCISE OF OPTIONS

No options over ordinary shares were exercised during or since the end of the financial year.

LAPSE OF OPTIONS

The following options over ordinary shares lapsed during or since the end of the financial year.

Expiry date	Exercise price	Number of shares
15 December 2011	$0.375	10,000,000

12. REMUNERATION REPORT – AUDITED

12.1 PRINCIPLES OF COMPENSATION

Key management personnel (KMP) have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. Key management personnel comprise the directors of the Company.

Compensation levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced directors and executives. The directors of the Company obtain independent advice on the appropriateness of compensation packages of both KMP given trends in comparative companies both locally and internationally, and the objectives of the Company's compensation strategy.

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

Fixed compensation

Fixed compensation consists of base compensation, determined from a market review, to reflect core performance requirements and expectations of the relevant position and statutory employer contributions to superannuation funds. Compensation levels are reviewed periodically by the remuneration committee through a process that considers individual, segment and overall performance of the Group.

Directors' fees

Total compensation for directors and non-executive directors is set based on advice from external advisors with reference to fees paid to other directors of comparable companies. Directors' fees are presently limited to a total of A$950,000 per annum, excluding the fair value of any options granted. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to directors.

Equity-based compensation (Long term incentive)

None

Short-term and long-term incentive structure and consequences of performance on shareholder wealth

Given the Company's principal activity during the course of the financial year consisted of exploration and evaluation of mineral resources, the Board has given more significance to service criteria instead of market related criteria in setting the Company's incentive schemes. Accordingly, at this stage the Board does not consider the Company's earnings or earning measures to be an appropriate key performance indicator. The issue of options as part of the remuneration package of directors is an established practice for listed exploration companies and has the benefit of conserving cash whilst appropriately rewarding the directors.
In considering the relationship between the Company's remuneration policy and the consequences for the Company's shareholder wealth, changes in share price are analysed.

Service contracts

Miles Kennedy
Mr Kennedy has been engaged to act as the Company's Chief Executive Officer. Mr Kennedy is entitled to receive director fees of AU$200,000 (gross) per annum which is subject to review by the Board from time to time. During the previous financial year additional amounts were paid to Mr Kennedy, as shown in 12.2. below, relating to prior year remuneration and as a result remuneration for the period being reported is above the stated annual contract value. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due.

David Jones
Mr Jones has been engaged to act as the Company's Exploration Director. Mr Jones is entitled to receive director fees of AU$48,000 (gross) per annum, which is subject to review by the Board from time to time. The appointment may be terminated for various causes of a standard nature. Upon termination, no benefits are due.

David Lenigas
Mr Lenigas was entitled to receive director fees of GBP33,000 (gross) per annum, subject to review by the Board from time to time. Mr Lenigas resigned on 27 March 2012.

Geoffrey White
Mr White was entitled to receive director fees of GBP24,000 (gross) per annum, subject to review by the Board from time to time. Mr White resigned on 27 March 2012.

Other than the directors, no other person is concerned in, or takes part in, the management of the Company and Group, or has the authority and responsibility for planning, directing and controlling the activities of the Company or the Group. As such, during the financial year, the Company did not have any person, other than directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 Company Executive or Relevant Group Executive for the purposes of section 300A of the Corporations Act 2001 ("Act").

All service contracts noted above are subject to no notice periods for termination, and have no fixed terms.

12.2 DIRECTORS' AND EXECUTIVES' REMUNERATION

Details of the nature and amount of each major element of remuneration (in $AUS) of each key management person of the Group are:

Key management personnel	Date	Short-term benefits	Post employment benefits	Equity-settled share based payments	Total	Proportion of remuneration performance related %	Value of options as portion of remuneration %
		Salary & fees	Superannuation benefits	Options (A)			
Executive directors							
Mr M Kennedy, Chief Executive Officer	2012	201,880	21,056	-	222,936	-	-
	2011	289,597	41,897	37,102	368,596	-	10%
Mr David Jones (appointed 26 February 2010)	2012	48,000	-	-	48,000	-	-
	2011	48,000	-	74,204	122,204	-	61%
Former directors							
Mrs K Chikane (appointed 26 April 2006, not re-elected 30 July 2010)	2012	-	-	-	-	-	-
	2011	16,933	-	-	16,933	-	-
Mr D Lenigas, Chairman	2012	50,574	-	-	50,574	-	-
	2011	54,465	-	37,102	91,567	-	41%
Mr G White	2012	36,781	-	-	36,781	-	-
	2011	39,611	-	37,102	76,713	-	48%
Total	2012	337,235	21,056	-	358,291	-	-
	2011	448,606	41,897	185,510	676,013	-	27%

Notes in relation to the table of directors' and executive officers' remuneration

(A) The fair value of the options are calculated at the date of grant using the Black-Scholes option valuation model and allocated to each reporting period evenly over the period from grant date to vesting date. The values disclosed are the portion of the fair value of the options allocated to each reporting period.

12.3 EQUITY INSTRUMENTS

All options refer to options over ordinary shares of Lonrho Mining Limited, which are exercisable on a one-for-one basis.

12.3.1 ANALYSIS OF MOVEMENTS IN OPTIONS

The movement during the reporting period, by value, of options over ordinary shares in the Company held by each key management person are detailed below.

Director	Granted in year $ (A)	Value of Options exercised in year $	Lapsed in year $
D Jones	-	-	-
M Kennedy	-	-	-
D Lenigas	-	-	-
G White	-	-	-

End of audited section

13. INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

The Company has entered into deeds of indemnity, insurance and access ("Deeds") with each of its directors. Under these Deeds, the Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties (unless the liability arises out of conduct involving lack of good faith), and in successfully defending legal and administrative proceedings and applications for such proceedings. The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavour to insure that a director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has during and since the end of the year, in respect of any person who is an officer of the Company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies directors, officers and the Company of any claims made against the directors, officers of the Company and the Company, except where the liability arises out of conduct involving a lack of good faith and subject to conditions contained in the insurance policy. The directors have not included details of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

The Company has not entered into any agreement to indemnify the auditors against any claims by third parties arising from their reports on the Financial Report for the years ended 28 February 2011 and 29 February 2012.

14. NON-AUDIT SERVICES

During the year Somes Cooke, the Company's auditors, have not performed any other services for the company or Group in addition to their statutory audit and as a result the directors are satisfied that auditors have not compromised the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the current auditor of the Company, Somes Cooke are set out below:

Consolidated - in AUD	**2012**	**2011**
Audit services:		
Audit and review of financial reports	37,300	27,750
	37,300	27,750

15. AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration, as set out on the following page, forms part of the directors' report for the financial year ended 29 February 2012.

Signed in accordance with a resolution of the directors, on behalf of the directors

GORDON GILCHRIST
CHAIRMAN

Dated at Subiaco this 31st day of May 2012.

Information in this Directors' Report that relates to exploration results, mineral resources or ore reserves is based on information compiled by David Jones BSc (Hons) MSc of Ascidian Prospecting Pty Ltd, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy and Manfred Marx BSc G Dip Env Sc FAusIMM. Mr Jones is a director of Lonrho Mining Limited. Mr Marx is a consultant to Lonrho Mining Limited. Messrs Jones and Marx have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Persons as defined in the 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Messrs Jones and Marx consent to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.

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AUDITOR'S INDEPENDENCE DECLARATION

To those charged with governance of Lonrho Mining Limited.

As auditor of Lonrho Mining Limited for the year ended 29 February 2012, I declare that, to the best of my knowledge and belief, there have been:

a) No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

Somes Cooke

SOMES COOKE

Kevin Somes

KEVIN SOMES

Perth
31 May 2012

		CONSOLIDATED	
In AUD	NOTE	2012	2011
Finance income	7	25,538	27,643
Consulting expenses		(116,090)	(118,662)
Depreciation expense		(4,655)	(40,499)
Employee benefits expenses	5	(625,661)	(902,688)
Finance expense	7	-	(53,660)
Other expenses	6	(547,945)	(606,286)
Loss before income tax		(1,268,813)	(1,694,152)
Income tax expense	9	-	-
Loss after income tax for the year		(1,268,813)	(1,694,152)
Other comprehensive income			
Exchange differences on translation of foreign jointly controlled entity		(877,906)	(838,633)
Total other comprehensive income for the year		(877,906)	(838,633)
Total comprehensive income for the period attributable to owners of the company		(2,146,719)	(2,532,785)
Loss per share			
Basic (loss) per share (cents)	10	(0.09)	(0.19)
Diluted (loss) per share (cents)	10	(0.09)	(0.19)

The statement of comprehensive income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 29 FEBRUARY 2012

		CONSOLIDATED	
In AUD	NOTE	2012	2011
Assets			
Cash and cash equivalents	18a	6,032,728	2,587,029
Trade and other receivables	11	97,192	1,398,833
Other assets	12	223,233	-
Total current assets		6,353,153	3,985,862
Other receivables	11	6,048,472	4,832,680
Deferred exploration costs	13	4,753,493	2,260,136
Property, plant and equipment	14	635,202	860,889
Total non-current assets		11,437,167	7,953,705
Total assets		17,790,320	11,939,567
Liabilities			
Trade and other payables	15	1,262,902	254,477
Other liabilities	16	3,697,500	-
Total current liabilities		4,960,402	254,477
Total liabilities		4,960,402	254,477
Net assets		12,829,918	11,685,090
Equity			
Share capital	17	48,472,073	45,180,526
Reserves	17	2,761,052	6,401,958
Accumulated losses		(38,403,207)	(39,897,394)
Total equity		12,829,918	11,685,090

The statement of financial position is to be read in conjunction with the accompanying notes.

Consolidated	**Share capital**	**Reserves**	**Accumulated losses**	**Total**
In AUD				
Balance at 1 March 2010	38,498,650	7,571,676	(38,756,938)	7,313,388
Total comprehensive income for the period				
Loss for the period	-	-	(1,694,152)	(1,694,152)
	-	(838,633)	-	(838,633)
Total comprehensive income for the period	-	(838,633)	(1,694,152)	(2,532,785)
Transactions with owners, recorded directly in equity				
Issue of share capital	679,000	-	-	679,000
Exercise of options	4,644,494	-	-	4,644,494
Transfer on exercise of options	37,102	(37,102)	-	-
Expiry of options	-	(553,696)	553,696	-
Issue of shares in repayment of loans and borrowings	1,653,597	-	-	1,653,597
Share issue expenses	(332,317)	-	-	(332,317)
Share based payments	-	259,713	-	259,713
Total transactions with owners	6,681,876	(331,085)	553,696	6,904,487
Closing balance at 28 Feb 2011	45,180,526	6,401,958	(39,897,394)	11,685,090
Balance at 1 March 2011	45,180,526	6,401,958	(39,897,394)	11,685,090
Total comprehensive income for the period				
Loss for the period	-	-	(1,268,813)	(1,268,813)
Other comprehensive income	-	(877,906)	-	(877,906)
Total comprehensive income for the period	-	(877,906)	(1,268,813)	(2,146,719)
Transactions with owners, recorded directly in equity				
Issue of share capital	4,008,086	-	-	4,008,086
Expiry of options	-	(2,763,000)	2,763,000	-
Share issue expenses	(716,539)	-	-	(716,539)
Total transactions with owners	3,291,547	(2,763,000)	2,763,000	3,291,547
Closing balance at 29 Feb 2012	48,472,073	2,761,052	(38,403,207)	12,829,918

The statement of changes in equity is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 29 FEBRUARY 2012

		CONSOLIDATED	
In AUD	NOTE	2012	2011
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,091,164)	(1,439,206)
Interest received		25,538	27,643
Net cash used in operating activities	18b	(1,065,626)	(1,411,563)
Cash flows from investing activities			
Payments for exploration costs		(1,350,162)	-
Purchases of property, plant and equipment		-	(856,076)
Contributions to joint venture entity		(1,641,289)	(2,268,550)
Net cash used in investing activities		(2,991,451)	(3,124,626)
Cash flows from financing activities			
Proceeds from investors for share capital	16,17	7,705,586	679,000
Proceeds from exercise of options		-	4,644,494
Share issue costs	17,18c	(202,810)	(332,317)
Proceeds from related party loan		-	1,600,000
Net cash from financing activities		7,502,776	6,591,177
Net increase in cash and cash equivalents		3,445,699	2,054,988
Cash and cash equivalents at beginning of year		2,587,029	1,171,666
Effect of exchange rate fluctuation		-	(639,625)
Cash and cash equivalents at end of year	18a	6,032,728	2,587,029

The statement of cash flows is to be read in conjunction with the accompanying notes.

1. REPORTING ENTITY

Lonrho Mining Limited (the 'Company') is a company domiciled and incorporated in Australia. The address of the Company's registered office is 34 Bagot Road, Subiaco WA 6008. The consolidated financial statements of the Group as at and for the year ended 29 February 2012 comprise the Company and its jointly controlled entity (together referred to as the 'Group'). The Group is primarily involved in the exploration of diamond projects in Africa, specifically Angola.

2. BASIS OF PREPARATION

(A) STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on the date of the directors' report.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis, except for equity settled share-based payments. The methods used to determine fair values of equity settled share-based payments are discussed further in note 3. The consolidated financial statements have been prepared on the going concern basis.

(C) FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian Dollars, which is the Company's functional currency. The functional currency of the Lulo Diamond joint venture is US Dollars (USD).

(D) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3(s).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

(A) JOINT VENTURES

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. The Groups interest in the joint venture entity is accounted for using the proportionate consolidation method of accounting. The Group recognises its interests in the assets that it controls and the liabilities that it incurs and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture, classified according to the nature of the assets, liabilities, income and expense.

Transactions with the joint ventures are eliminated to the extent of the Groups ownership interest until such time as they are realised by the joint venture entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(B) FOREIGN CURRENCY

Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign exchange differences arising on retranslation are recognised in the statement of comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

When a foreign operation is disposed of in part or in full, the relevant amount in equity is transferred to the statement of comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of the net investment in a foreign operation and are recognised directly in equity.

(C) FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Accounting for finance income and expense is discussed in note 3(l).

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

Share capital

Equity instruments, including preference shares, issued by the Company are recorded at the proceeds received. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from equity, net of any tax effects.

(D) PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" in the Statement of comprehensive income.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaces part is derecognised. All other costs are recognised in the statement of comprehensive income as an expense incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives in the current and comparative periods are as follows:

Plant and machinery	5-10 years
Computer equipment	3 years
Office equipment	5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(E) DEFERRED EXPLORATION COSTS

Exploration expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. As the exploration assets are currently not available for use they are not amortised.

Exploration assets are initially measured at cost and include acquisition of mining tenements, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation of assets used in exploration activities. General and administrative costs are only included in the measurement of exploration costs where they are related directly to operational activities in a particular area of interest.

Deferred exploration costs in relation to an abandoned area are written off in full against profit or loss in the period in which the decision to abandon that area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Income earned from the discovery of diamonds during the exploration phase is offset against the capitalised exploration costs.

(F) INVENTORIES

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(G) IMPAIRMENT

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the statement of comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount dies not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(H) EMPLOYEE BENEFITS

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income as incurred.

Short-term employee benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs: that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Share-based payment transactions

The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

(I) PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Site restoration

In accordance with the Group's environmental policy and applicable legal requirements, a provision for site restoration in respect of disturbed land is recognised when the land is disturbed.

The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period.

The amount of the provision for future restoration costs is capitalised in accordance with the policy set out in note 3(s). The unwinding of the effect of discounting on the provision is recognised as a finance cost.

(J) REVENUE

Provision of services

Revenue from services rendered is recognised in the statement of comprehensive income in proportion to the stage of completion of the transaction at the reporting date.

Sale of non-current assets

The net gain/(loss) on the sale of non-current assets is included as revenue or expense at the date control of the assets passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(K) LEASES

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to the initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised in the Group's balance sheet.

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(L) FINANCE INCOME AND EXPENSES

Finance income and expenses comprises interest income on funds invested, interest expense on borrowings calculated using the effective interest method and unwinding of discounts on provisions.

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method. All borrowing costs are recognised in the statement of comprehensive income using the effective interest method.

(M) INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit (loss) for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(N) GOODS AND SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) or value added tax (VAT), except where the amount of GST or VAT incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. Receivables and payables are stated with the amount of GST or VAT included.

The net amount of GST and VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST and VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(O) OPERATIONS IN LIQUIDATION

When an operation is classified as an operation placed into liquidation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(P) SEGMENT REPORTING

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group engages in business activities within one segment, being the exploration of diamond projects in Africa. The Group maintains an administrative office in Western Australia to support and promote the exploration activities in Africa.

(Q) ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Group did not early adopt any Australian Accounting Standards that are not yet mandatory. From 1 March 2011 the Group has adopted all Australian Accounting Standards and Interpretations mandatory for annual periods beginning on or after 1 March 2011, including:

AASB 124 Related Party Transactions (amendment) - The amended standard clarifies the definitions of related party. Secondly, the amendment introduces an exemption from the general related party disclosure requirement for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government entity as the reporting entity. The amendment had no impact on the Group during the year.

AASB 132 Financial Instruments: Presentation (amendment) - The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment had no impact on the Group during the year.

AASB 3 Business Combinations (amendment) - The measurement options available for non-controlling interest (NCI) have been amended. The amendment has no impact on the group during the year

AASB 7 Financial Instruments – Disclosures (amendment) - The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information into context. The amendment had no impact on the Group during the year.

AASB 101 Presentation of Financial Statements (amendment) - The amendment clarifies that an option to present an analysis of each component of other comprehensive income may be included either in the statement of changes in equity or in the notes to the financial statements. The amendment had no impact on the group during the year.

(R) LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares of the Company during the period. Diluted loss per share is determined by adjusting the net loss attributable to the ordinary shareholders and the number of shares outstanding for the effects of all dilutive potential shares, which comprise share options.

(S) ACCOUNTING ESTIMATES AND JUDGEMENTS

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Exploration and evaluation assets

The Group assesses the carried value of exploration and evaluation assets in accordance with the accounting policy noted above. As noted in that policy, the basis of carrying value involves numerous estimated and judgements resulting from the assessment of ongoing exploration activities.

Share-based payment transactions

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions as set out within note 17. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Estimated useful lives of assets

Estimated useful lives of assets have been based on historical experience. The condition of the assets is assessed at least once per year and considered against the remaining life. Adjustments to useful lives are made when considered necessary.

Site restoration provision

The Group assesses its site restoration provision at each balance date in accordance with accounting policy 3(i). Significant judgement is required in determining the provision for site restoration as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate and restore the exploration sites and related assets. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates. When these factors change or become known in the future, such differences will impact the site restoration provision and asset in the period in which they change or become known.

(T) DETERMINATION OF FAIR VALUES

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

Non derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Share-based payment transactions

The fair value of options issued is measured using the Black-Scholes option pricing formula or direct method. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

4. SEGMENT REPORTING

The Group determines and presents operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group engages in business activities within one segment, being the exploration of diamonds Angola. The Group maintains an administrative office in Western Australia to support and promote the exploration activities in Angola.

5. EMPLOYEE BENEFITS EXPENSES

	CONSOLIDATED	
In AUD	2012	2011
Wages, salaries and director remuneration	586,681	601,044
Superannuation costs	38,980	41,931
Equity settled share-based payment transactions	-	259,713
	625,661	902,688

6. OTHER EXPENSES

	CONSOLIDATED	
In AUD	2012	2011
Administrative expenses	420,660	294,288
Operating lease rental expense	127,285	153,647
Site expenses	-	158,351
	547,945	606,286

7. FINANCE INCOME AND EXPENSE

	CONSOLIDATED	
In AUD	2012	2011
Finance income		
Interest on bank deposits	25,538	27,643
	25,538	27,643
Finance expense		
Interest on loans and borrowings	-	(53,660)
	-	(53,660)

8. AUDITORS REMUNERATION

	CONSOLIDATED	
In AUD	2012	2011
Audit services:		
Audit and review of financial reports (Somes Cooke)	37,300	27,750
	37,300	27,750

9. INCOME TAX (BENEFIT) EXPENSE

	CONSOLIDATED	
In AUD	2012	2011
Current tax expense		
Domestic	-	-
Foreign	-	-
	-	-
Deferred tax expense		
Domestic	-	-
Foreign	-	-
	-	-
Total income tax expense	-	-

Numerical reconciliation between income tax expense and loss before income tax

	CONSOLIDATED	
In AUD	2012	2011
Loss for the period	(1,268,813)	(1,694,152)
Total income tax (benefit) expense	-	-
Loss excluding income tax	(1,268,813)	(1,694,152)
Income tax benefit using the Company's domestic tax rate of 30% (2011: 30%) and foreign tax rate of 29% (2011: 29%)	(380,644)	(508,246)
Non-deductible expenses	62,270	400,562
Current year tax losses not recognised	352,922	258,621
Movement in unrecognised temporary differences	(4,171)	10,009
Deductible equity raising costs	(30,377)	(160,946)
Income tax (benefit) / expense	-	-

Deferred tax assets not brought to account

As at 29 February 2012, the Group had estimated tax losses of approximately $9,843,877 (2011: $9,023,466), which may be available to be offset against taxable income in future years. The availability of these losses is subject to satisfying Australian taxation legislative requirements. The deferred tax asset attributable to tax losses has not been brought to account in these financial statements because the directors believe it is not presently appropriate to regard realisation of the future income tax benefits as probable. The deferred tax assets have not been brought to account in respect to the following:

	CONSOLIDATED	
In AUD	2012	2011
Deductible temporary differences	688,937	430,889
Tax revenue losses	2,485,570	1,923,206
Tax capital losses	6,669,371	6,669,371
	9,843,878	9,023,466

10. LOSS PER SHARE

Basic loss per share

	CONSOLIDATED	
	2012	2011
Basic loss per share (cents)	(0.09)	(0.19)

The calculation of basic loss per share at 29 February 2012 was based on the loss attributable to ordinary shareholders of $1,268,813 (2011: $1,694,152) and a weighted average number of ordinary shares outstanding of 1,346,892,056 (2011: 876,985,689), calculated as follows.

Weighted average number of shares

	CONSOLIDATED	
	2012	2011
Issued ordinary shares at beginning of year	1,273,731,535	673,915,647
Effect of shares issued on weighted average	73,160,520	203,070,042
Weighted average number of ordinary shares held during the year	1,346,892,055	876,985,689

Diluted loss per share

	CONSOLIDATED	
	2012	2011
Diluted loss per share (cents)	(0.09)	(0.19)

The Group is in a loss making position and it is unlikely that the conversion to, calling of, or subscription for, ordinary share capital in respect of potential ordinary shares would lead to diluted earnings per share that shows an inferior view of the earnings per share. For this reason, the diluted loss per share is the same as the basic loss per share.

11. TRADE AND OTHER RECEIVABLES

	NOTE	CONSOLIDATED	
In AUD		2012	2011
Current			
GST receivable		41,924	9,632
Bond	(i)	-	1,374,570
Other current receivables		55,268	14,631
		97,192	1,398,833
Non current			
Lulo joint venture	(ii)	6,048,472	4,832,680
		6,048,472	4,832,680

(i) Under the terms of the joint venture agreement between the company and Empresa Nacional De Damantes De Angola ('Endiama') ('the agreement'), the company had previously lodged a bond of US$1.4 million to Endiama in relation to the Lulo Diamond joint venture ('joint venture') based in Angola. As announced to the ASX on 12 December 2011, the company finalised negotiations with Endiama and the US$1.4 million was credited as exploration expenditure incurred by the company (note 13) with US$1 million applied to the kimberlite permit and US$ 400,000 applied to the alluvial permit.

(ii) This amount is due to the Company from the joint venture. The company has advanced the funds to the joint venture to fund the exploration program under the agreement. The amount is denominated in USD, is interest free and has no set payment date.

The Group's exposure to credit and currency risks related to trade and other receivables are disclosed in Note 21.

12. OTHER ASSETS

	CONSOLIDATED	
In AUD	2012	2011
Cost		
Deposit for plant and machinery	223,233	-

13. DEFERRED EXPLORATION COSTS

	NOTE	CONSOLIDATED	
In AUD		2012	2011
Cost			
Balance at beginning of year		2,260,136	1,736,470
Bond transferred to deferred exploration	11	1,382,875	-
Exploration costs incurred in the year		1,443,520	855,696
Effect of foreign currency translation		(333,038)	(332,030)
Balance at end of year		4,753,493	2,260,136

Recovery of the carrying amount is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective area of interest.

14. PROPERTY, PLANT AND EQUIPMENT

In AUD	Plant and machinery	Camp Equipment	Computer Equipment	Office Equipment	Total
Cost					
Balance at 1 March 2010	15,741	8,383	4,379	1,000	29,503
Additions	856,076	-	3,139	13,691	872,906
Balance at 28 February 2011	871,817	8,383	7,518	14,691	902,409
Balance at 1 March 2011	871,817	8,383	7,518	14,691	902,409
Additions	-	-	-	3,025	3,025
Effect of foreign currency translation	(158,564)	(732)	-	-	(159,296)
Balance at 29 February 2012	713,253	7,651	7,518	17,716	746,138
Depreciation					
Balance at 1 March 2010	-	-	892	129	1,021
Depreciation for the year	37,467	-	1,756	1,276	40,499
Balance at 28 February 2011	37,467	-	2,648	1,405	41,520
Balance at 1 March 2011	37,467	-	2,648	1,405	41,520
Depreciation for the year	70,067	-	1,488	3,167	74,722
Effect of foreign currency translation	(5,306)	-	-	-	(5,306)
Balance at 29 February 2012	102,228	-	4,136	4,572	110,936
Carrying amounts					
At 1 March 2010	15,741	8,383	4,379	1,000	29,503
At 28 February 2011	834,350	8,383	4,870	13,286	860,889
At 29 February 2012	611,025	7,651	3,382	13,144	635,202

15. TRADE AND OTHER PAYABLES

	NOTE	CONSOLIDATED	
In AUD		2012	2011
Trade payables		137,853	19,514
Accruals and other payables	(i)	997,070	201,424
Director fees payable		127,979	33,539
		1,262,902	254,477

(i) The balance as at 29 February 2012 includes $513,730 accrued to Indian Ocean Capital Pty Ltd (‘IOC’) for fees to act as the lead manager to the non-renounceable rights issue, as outlined in note 17.

(ii) The Group’s exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

16. OTHER LIABILITIES

	NOTE	CONSOLIDATED	
In AUD	(i)	2012	2011
Share application monies received		3,697,500	-

(i) Share application monies received to 29 February 2012 for which shares had yet to be issued as at 29 February 2012. The shares were subsequently issued on 14 March 2012 (note 24).

17. ISSUED CAPITAL AND RESERVES

	CONSOLIDATED	
In AUD	2012	2011
Issued and ordinary fully paid shares	48,472,073	45,180,526

Movement in ordinary shares

In shares		ORDINARY SHARES		AUD	
	NOTE	2012	2011	2012	2011
On issue at beginning of year		1,273,731,535	673,915,647	45,180,526	38,498,650
Issue of shares for cash	(i)	400,808,671	48,500,000	4,008,086	679,000
Issue for repayment of related party loan		-	91,866,500	-	1,653,597
Issue on exercise of options		-	459,449,388	-	4,644,494
Transfer from reserves on exercise of options		-	-	-	37,102
Transaction expenses	(ii)	-	-	(716,539)	(332,317)
On issue at end of year		1,674,540,206	1,273,731,535	48,472,073	45,180,526

(i) The Company issued the following shares and options during the year to 29 February 2012.

Transaction	Number	Issue/exercise price	Funds raised	Option expiry
Issue of shares	400,808,671	$0.01	$4,008,086	
Issue of options	400,808,671	$0.02	-	2 December 2013

(ii) Transaction expenses for the year to 29 February 2012 include:

- $385,279 paid and accrued to IOC for fees to act as the lead manager to the non-renounceable rights issue; and
- $265,292 accrued to IOC, being a portion (based on the number of shares issued to 29 February 2012) of the fair value (using the Black-Scholes option pricing model) of 300 million options to IOC as consideration for acting as the lead manager to the non-renounceable rights issue. The options were issued to IOC on 14 March 2012 (note 25). The following table sets out the assumptions made in determining the fair value of the options granted:

Grant date	4 October 2011
Dividend yield	0.00%
Expected volatility	100%
Risk-free interest rate	4%
Option exercise price	2 cents
Expected life (years)	2
Share price on date of grant	0.86 cents

Terms and conditions

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Unissued ordinary shares of the Company under option at 29 February 2012 were:

Expiry date	Exercise price	Number of shares
30 June 2012	$0.15	135,629,982
30 September 2012	$0.50	19,750,000
1 August 2013	$0.02	30,000,000
2 December 2013	$0.02	400,808,671

Exercise of options

No options over ordinary shares were exercised during the financial year.

Lapse of options

The following options over ordinary shares lapsed during the financial year:

Expiry date	Exercise price	Number of shares
15 December 2011	$0.375	10,000,000

Reserves

	Consolidated			
In AUD	**Foreign currency translation reserve**	**Share-based payments reserve**	**Option premium reserve**	**Total**
Balance at 1 March 2010	1,286,452	6,099,262	185,962	7,571,676
Transfer to issued capital on exercise of options	-	(37,102)	-	(37,102)
Expiry of options	-	(553,696)	-	(553,696)
Share based payments	-	259,713	-	259,713
Foreign exchange differences	(838,633)	-	-	(838,633)
Balance at 28 February 2011	447,819	5,768,177	185,962	6,401,958
Expiry of options	-	(2,763,000)	-	(2,763,000)
Foreign exchange differences	(877,906)	-	-	(877,906)
Balance at 29 February 2012	(430,087)	3,005,177	185,962	2,761,052

Nature and purpose of reserves

Share-based payments reserve
The share-based payments reserve represents the fair value of equity instruments issued to employees as compensation and issued to external parties for the receipt of goods and services. This reserve will be reversed against issued capital when the underlying shares are converted.

Option premium reserve
The option premium reserve records amounts paid by shareholders in acquiring options over ordinary shares. The balance in the option premium reserve is transferred to issued capital on option conversion and transferred to accumulated losses on option expiry.

18A. CASH AND CASH EQUIVALENTS

In AUD	CONSOLIDATED 2012	2011
Bank balances	6,032,728	2,587,029

The Group's exposure to interest rate risk is discussed in note 21.

18B. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

In AUD	CONSOLIDATED 2012	2011
Loss for the period	(1,268,813)	(1,694,152)
Adjustments for:		
Interest incurred but not paid	-	53,597
Depreciation expense	4,655	40,499
Share based payments	-	259,713
Operating loss before changes in working capital and provisions	(1,264,158)	(1,340,343)
(Increase) in trade and other receivables	(72,929)	(3,590)
(Increase) in other assets	(223,233)	-
Increase/(decrease) in trade and other payables	1,008,425	(67,630)
less share based payment accrued (note 17)	(265,292)	-
less costs of capital accrued (note 15)	(248,438)	-
Net cash used in operating activities	(1,065,625)	(1,411,563)

18C. NON CASH FINANCING ACTIVITIES

Refer to notes 17 for further details.

19. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 29 February 2012 (2011: Nil).

20. COMMITMENTS

Capital commitments

In AUD	CONSOLIDATED 2012	2011
Approved, not yet contracted for:		
Less than one year	-	-
Between one and five years	-	-
	-	-

21. FINANCIAL RISK MANAGEMENT

The Group has exposure to credit, liquidity and market risks from their use of financial instruments.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Market risk

Commodity price risk
The Group is focused on its Angolan diamond exploration interests in the Lulo Project. Accordingly, the Group is exposed to the global pricing structures of the diamond market.

Foreign exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Australian dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations that are not in the entity's functional currency. The company does not use hedging, or any other active risk reduction strategy, in managing its foreign exchange risk.

The functional and presentation currency of Lonrho Mining Limited is Australian Dollars. The functional currency of the Groups joint venture is US dollar.

The Group's exposure to foreign currency risk at balance date was a follows, based on notional amounts:

	2012		2011	
In AUD	**A$**	**US$**	**A$**	**US$**
Financial assets				
Cash and cash equivalents	6,024,816	7,912	2,540,609	46,420
Trade and other receivables	97,192	-	24,263	1,425,807
Other receivables	-	6,048,472	-	4,832,680
Financial liabilities				
Trade and other payables	(796,797)	(466,105)	(131,158)	(123,319)
Other financial liabilities	-	-	-	-
Net balance sheet exposure	5,325,211	5,590,279	2,433,714	6,181,588

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	**2011**	**2012**	**2011**
A$ = US$	0.96	0.98	0.93	0.98

Sensitivity analysis
A weakening/strengthening by 10% from the spot rate at 29 February 2012 of the US dollar against the Australian dollar would have the following impact on these financial statements:

In AUD	**Weakening DR/(CR)**	**Strengthening DR/(CR)**
Current assets	24,881	(24,881)
Non-current assets	1,110,402	(1,110,402)
Total assets	1,135,283	(1,135,283)
Current liabilities	(50,172)	50,172
Net assets	1,085,111	(1,085,111)
Total comprehensive income	(1,085,111)	1,085,111

Cash flow interest rate risk

Cash flow interest rate risk, is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest-bearing financial instruments.

The Group is not exposed to significant interest rate risk. Any residual cash flow interest rate risk is in relation to the Group's cash and cash equivalent balances. The Group does not currently use derivatives to mitigate these exposures.

The following table details the Group's exposure to interest rate risk on its interest-bearing financial instruments at 29 February 2012.

			Fixed Interest Rate Maturity				
	Average Interest Rate %	**Variable Interest Rate A$**	**Less than 1 Year A$**	**1 to 5 Years A$**	**More than 5 Years A$**	**Non-Interest Bearing A$**	**Total A$**
Financial Assets							
Cash	4.6	6,032,728	-	-	-	-	6,032,728
Trade and other receivables	-	-	-	-	-	97,192	97,192
Other receivables	-	-	-	-	-	6,048,472	6,048,472
		6,032,728	-	-	-	6,145,664	12,178,392
Financial Liabilities							
Trade and other payables	-	-	-	-	-	1,262,902	1,262,902
		-	-	-	-	1,262,902	1,262,902

The following table details the Group's exposure to interest rate risk on its interest-bearing financial instruments at 28 February 2011. | **30**

			Fixed Interest Rate Maturity				
	Average Interest Rate %	**Variable Interest Rate A$**	**Less than 1 Year A$**	**1 to 5 Years A$**	**More than 5 Years A$**	**Non- Interest Bearing A$**	**Total A$**
Financial Assets							
Cash	4.5	2,587,029	-	-	-	-	2,587,029
Trade and other receivables	-	-	-	-	-	1,398,833	1,398,833
Other receivables	-	-	-	-	-	4,832,680	4,832,680
		2,587,029	-	-	-	6,231,513	8,818,542
Financial Liabilities							
Trade and other payables	-	-	-	-	-	254,477	254,477
		-	-	-	-	254,477	254,477

Cash flow sensitivity analysis for variable rate instruments
The sensitivity analysis below has been prepared to demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant through the impact on floating rate interest rates.

A change of 100 basis points in interest rates at the reporting date would not have a material impact on the statement of comprehensive income. There would be no effect on the equity reserves other than those directly related to statement of comprehensive income. The analysis is performed on the same basis as for 2011.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's potential concentration of credit risk consists mainly of cash deposits with banks and other receivables. The Group's short term cash surpluses are placed with banks that have investment grade ratings. The maximum credit risk exposure relating to the financial assets is represented by their carrying values as at the balance sheet date.

Other receivables of $6,048,472 are due to the Group from the joint venture (note 11). The company has advanced the funds to the joint venture to fund the exploration program under the agreement. The other main party to the joint venture is Endiama, Angola's state-run diamond company.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

	CONSOLIDATED	
In AUD	2012	2011
Trade and other payables		
- Within one year	1,262,902	254,477
- One to five years	-	-
- Greater than five years	-	-
Total	1,262,902	254,477

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

Fair value

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

The financial assets and liabilities included in the assets and liabilities of the Group approximate net fair value, determined in accordance with the accounting policies disclosed in note 3 to the financial statements.

22. JOINT VENTURE

The Consolidated Group includes a proportional consolidation of the Lulo Diamond joint venture. The Company's participating interest in the joint venture is 39% relating to the alluvial deposits (which will decrease to 30% after recoupment of its investment in the Project, should this occur) and 40% for the kimberlites.

Information relating to the joint venture is set out below:

	CONSOLIDATED	
In AUD	2012	2011
Share of assets and liabilities		
Current assets	231,144	46,420
Non-current assets	4,267,275	3,105,125
Total assets	4,498,419	3,151,545
Current liabilities	(466,105)	(123,319)
Net assets	4,032,314	3,028,226
Share of expenses and results		
Expenses	-	-
Loss before tax	-	-

23. RELATED PARTIES

Key management personnel compensation

The key management personnel compensation included in employee benefits expense (see note 5) is as follows:

	CONSOLIDATED	
In AUD	2012	2011
Short-term employee benefits	337,235	448,606
Post-employment benefits	21,056	41,897
Share-based payments	-	185,510
	358,291	676,013

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no other material contracts involving directors interests at year-end.

Key management personnel and director transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company or the joint venture in the reporting period. The terms and conditions of the transactions with management persons and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

Options over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Lonrho Mining Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows.

	Held at 1 March 2011 or date of appointment	Granted as compensation	Rights Issue	Held at resignation	Held at 29 February 2012	Released from escrow during the year	Vested during the year	Vested & Exercisable
Directors								
Mr M Kennedy	4,000,000	-	12,000,000	-	16,000,000	-	16,000,000	16,000,000
Mr D Jones	10,000,000	-		-	10,000,000	-	10,000,000	10,000,000
Mr D Lenigas	11,000,000	-	-	-	11,000,000	-		11,000,000
Mr G White	11,000,000	-	-	-	11,000,000	-	11,000,000	11,000,000

	Held at 1 March 2010 or date of appointment	Granted as compensation	Exercised or lapsed	Held at resignation	Held at 28 February 2011	Released from escrow during the year	Vested during the year	Vested & Exercisable
Directors								
Mr M Kennedy	7,750,000	5,000,000	(8,750,000)		4,000,000	-	5,000,000	4,000,000
Mr D Jones	150,000	10,000,000	(150,000)		10,000,000	-	10,000,000	10,000,000
Mr D Lenigas	10,000,000	5,000,000	(4,000,000)		11,000,000	-	5,000,000	11,000,000
Mrs K Chikane	8,000,000	(2,000,000)	(2,000,000)	4,000,000				
Mr G White	6,000,000	5,000,000	-		11,000,000	-	5,000,000	11,000,000

No options held by key management personnel are vested but not exercisable at 29 February 2012.

Movements in shares

The movement during the reporting period in the number of ordinary shares in Lonrho Mining Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows.

	Held at 1 March 2011 or date of appointment	Purchases	Received on exercise of options	Sales	Held at resignation	Held at 29 February 2012
Directors						
Mr M Kennedy	16,000,000	16,000,000	-	-	-	32,000,000
Mr D Jones	2,500,000	150,000	-	-	-	2,650,000
Mr D Lenigas	-	-	-	-	-	-
Mr G White	-	-	-	-	-	-

	Held at 1 March 2010 or date of appointment	Purchases	Received on exercise of options	Sales	Held at resignation	Held at 28 February 2011
Directors						
Mr M Kennedy	6,250,000	1,000,000	8,750,000	-	-	16,000,000
Mr D Jones	750,000	1,750,000	-	-	-	2,500,000
Mr D Lenigas	-	-	-	-	-	-
Mrs K Chikane	-	-	-	-	-	-
Mr G White	-	-	-	-	-	-

No shares were granted to key management personnel during the reporting period as compensation in 2011 or 2010.

Other related party transactions

An amount of $131,968 (2011: $92,878) was paid to The Bagot Road Property Partnership, associated with director Miles Kennedy, relating to office rent and associated costs during the period. An amount of $10,059 was paid to The Bagot Road Group Pty Ltd, associated with director Miles Kennedy, relating to the provision of payroll and BAS services during the period. Payments for the provision of director services, as disclosed within remuneration in the directors' report, were paid to Ascidian Prospecting Pty Ltd and Turnicate Consulting, entities associated with director David Jones.

Joint venture

The Company has previously signed a joint venture agreement with Empresa Nacional De Damantes De Angola (Endiama), the national diamond company of Angola and exclusive concessionary for Angolan diamond mining rights. Within the 3,000km^2 Lulo Concession, the Company's participating interest in the kimberlite deposits is 39% of the joint venture which will decrease to 30% after recoupment of its investment in the Project, should this occur. On all alluvial deposits Lonrho's participating interest is 40% in the joint venture.

In terms of the joint venture agreement the Company is required to fund an exploration work program and during the year loan advances were made to the joint venture for this purpose. Details of the balances due from the joint venture at the end of the financial year are as follows.

	CONSOLIDATED	
In AUD	2012	2011
Lulo Joint Venture (note 11)	6,048,472	4,832,680

24. SUBSEQUENT EVENTS

In March 2012, the company completed its $12.7 million entitlement issue, under which a total of 1,273,731,500 shares and options were issued to raise $12.7 million. As at 29 February 2012 the company had received $7,705,586 and issued 400,808,671 shares in relation to this issue. Indian Ocean Capital Pty Ltd received 300 million options and $636,850 as fees for acting as lead manager of the issue.

Other than the above, there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event or a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

25. PARENT COMPANY

The following information has been extracted from the books and records of the parent company, Lonrho Mining Ltd and has been prepared in accordance with Australia Accounting Standards.

The financial information for the parent company has been prepared on the same basis as the consolidated financial statements.

In AUD	2012	2011
Statement of Financial Position		
Assets		
Current assets	6,122,008	3,936,420
Non-current assets	11,398,025	8,072,623
Total Assets	17,520,033	12,009,043
Liabilities		
Current liabilities	(4,494,297)	(131,157)
Total Liabilities	(4,494,297)	(131,157)
Equity		
Issued capital	52,399,367	49,107,820
Retained earnings	(42,134,683)	(43,631,892)
Reserves	2,761,052	6,401,958
Total Equity	13,025,736	11,877,886
Statement of Comprehensive Income		
Total comprehensive income	(2,146,719)	(2,532,785)

The parent company did not have any contingent liabilities as at 29 February 2012 or 28 February 2011.

Contractual commitments

The parent company did not have any commitments as at 29 February 2012 or 28 February 2011.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 29 FEBRUARY 2012

1. In the opinion of the directors of Lonrho Mining Limited ("the Company"):

   (a) the financial statements and notes, as set out on pages 11 to 34, and the remuneration report in the Directors' Report, as set out on pages 5 to 7, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 29 February 2012 and of its performance for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

   (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 29 February 2012.

Signed in accordance with a resolution of the directors

GORDON GILCHRIST
CHAIRMAN

Dated at Subiaco this 31st day of May 2012.

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Chartered Accountants
Business Consultants
Financial Advisors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONRHO MINING LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Lonrho Mining Limited, which comprises the consolidated statement of financial position as at 29 February 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entity it jointly controlled during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidenece we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lonrho Mining Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

in our opinion:

(a) the financial report of Lonrho Mining Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 29 february 2012 and of its performance for the year ended on that date; and

   (ii) complying with australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report included in pages 5 to 7 of the directors' report for the year ended 29 February 2012. The directors of the company are responsibility for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Lonrho Mining Limited for the year ended 29 February 2012, complies with section 300A of the *Corporations Act 2001*.

SOMES COOKE

KEVIN SOMES

31 May 2012
Perth

CORPORATE DIRECTORY

BOARD OF DIRECTORS

GORDON GILCHRIST
Non-executive Chairman

MILES KENNEDY
Chief Executive Officer

DAVID JONES
Executive Technical Director

COMPANY SECRETARY

Jean Mathie

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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Applecross 6153
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LONRHO
MINING