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The Company Announcements Office
ASX Limited

Via E Lodgement

Cape Lambert proposes to make a 30% investment in major African Hematite Iron Ore Project in US\$45M deal

Key points:

- Cape Lambert signs a binding agreement, which is subject to the satisfaction of certain conditions as outlined below, to make a 30% investment in Marampa Iron Ore Limited, owner of the exploration stage Marampa iron ore project in Sierra Leone,
- Cape Lambert will issue 44 million shares to make the 30% investment (which represents approximately 10% of its current total issued capital) and will sole fund the first US\$25 million toward a definitive feasibility study,
- Exclusive option to acquire the outstanding shares in Marampa Iron Ore Limited, that if exercised will deliver the Company control of the Marampa iron ore project,
- Due diligence metallurgical test work completed by Cape Lambert indicates a premium hematite concentrate grading approximately 67% Fe and 1.9% SiO₂ can be produced using simple gravity separation,
- Completion of the investment is subject to the successful conclusion of due diligence by Cape Lambert and the receipt of all necessary regulatory approvals, and is expected to occur on or before 30 September 2008, and
- Cape Lambert shares issued in consideration for the investment will not dilute existing shareholders in respect of the capital reduction and dividend payment proposed to be paid to shareholders in early October 2008.

Australian iron ore company Cape Lambert Iron Ore Limited ("**Cape Lambert**" or the "**Company**") (ASX: **CFE**, AIM: **CLIO**) signed a conditional agreement on 1 September 2008 to make a 30% investment in Marampa Iron Ore Limited ("**Marampa**"), a Bermuda registered, wholly owned subsidiary of African Minerals Limited ("**African Minerals**") (AIM: **AMI**) and owner of the Marampa iron ore project ("**Marampa Project**") located in Sierra Leone in a cash/scrip deal valued at more than US\$45M.

The proposed investment in Marampa comes after more than eight months of due diligence by the Company, including several site visits by senior technical executives and former Chairman, Ian Burston.

Under the terms of the binding agreement, Cape Lambert will issue 44 million shares in the Company (representing approximately 10% of the total issued capital of the Company) and invest US\$25 million in the Marampa Project to fund a definitive feasibility study. The definitive feasibility study will be funded from existing cash reserves, and the 44 million Cape Lambert shares will be issued pursuant to the Company's 15% threshold under the ASX listing rules.

The shares issued in consideration for the investment will not be entitled to participate in the capital reduction or dividend announced by the Company on 18 August 2008 and proposed to be paid to Cape Lambert shareholders in early October 2008.

Other key terms of the acquisition are as follows;

- (a) completion is conditional on the parties entering into a more comprehensive formal agreement, detailed due diligence and receipt of all necessary regulatory consents;
- (b) completion will occur on 30 September 2008 or such other date as the parties agree;
- (c) the Company has also been granted an exclusive option to invest further in the Marampa Project by acquiring from African Minerals the outstanding shares in Marampa, resulting in Marampa becoming a wholly-owned subsidiary of Cape Lambert, at a price of US\$200 million, less the aggregate of (i) US\$25 million and (ii) the value of the 44 million Cape Lambert shares (to be issued) as at the date of closing of the transaction. The option may be exercised at any time during the feasibility study period and for a period of three months immediately after its finalisation;
- (d) the commitment to contribute US\$25 million to fund a definitive feasibility study of the Marampa Project will be in accordance with an agreed monthly calling schedule applicable to the Marampa Project which shall be agreed by the parties on or before completion of the transaction. If the feasibility study costs in excess of US\$25million, the Company and African Minerals will contribute to the excess cost pro rata to their respective shareholding in Marampa.

Marampa Project and Infrastructure

The Marampa Project is a brownfields exploration project located near the township of Lunsar in Sierra Leone, West Africa (refer Figure 1). It is defined by Exploration Licence EXPL 09/06, which covers an area of approximately 319km² and completely encloses (but excludes) the former DELCO¹, open cut mining operation. DELCO identified the prospectivity of the Marampa area during the early 20th Century, and from 1933 exported iron ore from the Marampa area until mine closure in 1975 due to depressed commodity prices.

The Marampa area is connected to an existing deep water port, ship loader and stockpile area at Pepel by approximately 80km of rail infrastructure (refer Figure 2). Through an existing Memorandum of Understanding between African Minerals and the Government of Sierra Leone, African Minerals has the right to access and operate the existing rail and port infrastructure, which requires refurbishment and upgrading but offers substantial time and cost savings relative to a greenfields project.

Iron mineralisation at the Marampa Project consists of specular hematite schists, which feature variable iron grades in the range of 25% to 35% Fe. Historically, the specular hematite schists have been upgraded to saleable Fe concentrates using simple crushing, coarse grinding and gravity separation. Sampling by Cape Lambert of historical concentrate stockpiles at Pepel (produced from tailings dredging operations) returned grades of approximately 63% Fe, 7% SiO₂ and 0.9% Al₂O₃.

The Marampa Project Exploration Licence covers the northern and southern strike extensions of the former DELCO mining area. In the past 30 years no systematic evaluation of these extensions had been undertaken to assess their potential for extraction of iron ore.

African Minerals commenced exploration on EXPL 09/06 in 2006 with structural mapping, and ground gravity geophysical surveys in 2007. Interpretation of existing airborne magnetic datasets and the newly acquired gravity surveys was completed in mid-2007 by Australian

¹ The Development Corporation of Sierra Leone

based geophysical consultant, Resource Potentials. The interpretation defined a number of anomalous gravity drill targets, which were interpreted to correlate with hematite mineralisation extending from the former DELCO mining area into, contiguous and adjacent, EXPL 09/06. Four NQ diamond holes have been drilled by African Minerals on the southern gravity anomalies, for a total advance of 941 metres.

Disseminated to sub-massive specular hematite mineralisation was intersected with iron grades ranging from approximately 23% to 30% Fe over broad, continuous intervals (refer African Minerals AIM RNS announcement titled "Licence and Marampa Update" dated 25 July 2008 for full details). These results confirmed the southern extension of the specular hematite mineralisation from the former DELCO mining area.

As part of its due diligence investigations, Cape Lambert prepared a bulk, composite sample from diamond core from three of the four reconnaissance drill holes for metallurgical test work. A representative sub-sample from the bulk sample was tested at independent laboratory, AMDEL Ltd to assess the potential to upgrade the hematite mineralisation to a saleable product. Summary results, which showed the Fe mineralisation could be upgraded to a premium product (+65% Fe & $\leq 2\%$ SiO₂), are shown in Table 1 below.

Table 1: Metallurgical Test Results

Sample	Fe%	SiO ₂ %	Al ₂ O ₃ %	P %
Head Grade	28.1	44.7	5.25	0.23
Concentrate Grade	66.8	1.90	0.55	0.13

Notes:

1. Bulk sample prepared by combining continuous, 50m mineralised intervals from diamond drill holes MPD002 (interval 150 to 200m), MPD003 (interval 50 to 150m) & MPD004 (interval 100 to 150m).
2. Test work conducted at a feed grind size of 80 μ m passing 125 μ m on a laboratory scale Wilfley table.
3. Mass yield was 30% with a Fe recovery of 70%.

Based on this early test work, Cape Lambert anticipates a simple, low risk processing flow sheet comprising crushing, coarse grinding and gravity separation consistent with the earlier DELCO operations.

Given its anticipated premium quality, mine product would be strategically positioned to supply the European market.

Excellent prospect and regional scale prospectively exists at the Marampa Project with the formation that hosts the former DELCO mining area, and the defined southern and northern gravity anomalies mapped over 20km within Exploration Licence EXPL 09/06.

Strategy

Cape Lambert and African Minerals intend to follow a three pillared strategy for the Marampa Project over the next 12-18 months comprising;

- Drill testing the defined anomalous gravity targets, with the objective of delineating a JORC compliant mineral resource;
- The extension of the gravity surveys to cover prospective areas within the 20km long regional structure. The 2007 gravity survey was limited in extent, and defined by the initial interpretation of the magnetic survey. The reconnaissance drilling has confirmed the validity of gravity for defining drill targets and its coverage will be extended to define further drill targets and provide an assessment of the Project's potential mineralised inventory; and
- Completing metallurgical test work, engineering and environmental studies to enable the scope, capital cost and economics of the project to be defined.

Executive Chairman Tony Sage commented “an initial 30% investment and the option to increase to 100% interest in the Marampa Project, which is adjacent to existing rail infrastructure that is connected to a deep water port, has simple metallurgy, potentially a premium product and excellent exploration upside the Board believes will deliver to Cape Lambert shareholders exposure to a quality iron ore asset”.

He further added “the investment in Marampa signifies the first significant corporate transaction since Cape Lambert finalised the AUD\$400M sale of its namesake project to a subsidiary of Chinese company, China Metallurgical Group Corporation”.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman

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Competent Persons Attributes:

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The Exploration information in this report is based on information compiled by K Bischoff who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bischoff has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Bischoff consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.



