

ASX Announcement
17 January 2012

CAPE LAMBERT ACCEPTS EXXARO OFFER FOR 19.99%

- African Iron (ASX: AKI) has been advised by Exxaro Resources (JSE: EXX) that African Iron's largest shareholder, Cape Lambert Resources (ASX: CFE), has formally accepted Exxaro's takeover offer for shares equivalent to 19.99% of African Iron.
- Exxaro last week announced a cash offer for all of the African Iron shares and listed options, which has been recommended by the African Iron board in the absence of a superior proposal. Cape Lambert, African Iron's largest shareholder, entered into a pre-bid acceptance agreement with Exxaro for 19.99% of the listed shares in African Iron.
- Today's acceptance by Cape Lambert of Exxaro's takeover offer now puts Exxaro in a strong position to achieve the acceptances necessary to satisfy the 50% minimum acceptance condition that the takeover offer is subject to.
- All African Iron directors have also declared their intention to accept Exxaro's takeover offer by this Thursday, with respect to the African Iron shares and listed options owned or controlled by them, in the absence of a superior proposal.
- Exxaro is offering A\$0.51 cash for each African Iron share, which Exxaro will increase to A\$0.57 cash per share if Exxaro acquires a relevant interest in 75% or more of all the African Iron shares (on a fully diluted basis). Exxaro is also offering A\$0.31 cash for each listed option, which Exxaro will increase to A\$0.37 cash per listed option if Exxaro acquires a relevant interest in 75% or more of all the African Iron shares (on a fully diluted basis).

African Iron, Independent Non-Executive Chairman Dr Ian Burston said the African Iron board had carefully considered Exxaro's takeover offer and recommended that shareholders and listed optionholders accept it, in the absence of a superior proposal.

"Accepting the cash consideration offered by Exxaro now mitigates a number of potential risks, particularly in the current uncertain macro-economic environment, and in the event that iron ore prices fall below their current levels.

This is a simple, cash offer with minimal conditions, and the trading in African Iron shares since the announcement of the bid indicates that the offer has been generally well supported by the market."

All African Iron shareholders and optionholders should this week receive African Iron's Target's Statement which details the offers, and we encourage them to read this document carefully before they make any decision" he said.

As detailed in the Target's Statement, African Iron shareholders and optionholders have a number of alternatives available to them:

- Accept Exxaro's offer for their African Iron shares and/or listed options;
- Sell their African Iron shares and/or listed options on market;
- Listed optionholders can exercise their options and sell the African Iron shares on market; or
- Do nothing.

Dr Burston said that “Shareholders and optionholders should be aware that if they do nothing, the price of African Iron shares and options is likely to fall if the offer closes and Exxaro has acquired a relevant interest in less than 90% of the African Iron shares on issue.”

Exxaro’s takeover offer will remain open until 5.00pm Perth time on 14 February 2012 unless extended.

African Iron shareholders and listed optionholders with questions in relation to the Exxaro takeover offer may call the African Iron Offer Investor Information Line on 1800 628 703 (for calls made from within Australia) or +61 2 8280 7513 (for calls made from outside Australia) between 9am and 8pm Sydney time.

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About Exxaro

Exxaro Resources Limited is a South African-based mining company, listed on the Johannesburg Stock Exchange Limited (JSE: EXX) with a market capitalisation of approximately A\$7.66 billion.

Exxaro Resources Limited mines, extracts and processes a range of minerals and metals, including coal, mineral sands and base metals primarily in South Africa, Australia and China. As one of the largest South African coal producers, with production capacity now approaching 48 million tonnes per annum and the third-largest global producer of mineral sands products, Exxaro is a significant participant in the coal and mineral sands markets. Exxaro has a 20% interest in the Sishen Iron Ore Company, a subsidiary of JSE listed Kumba Iron Ore Limited, which operates the Sishen and Thabazimbi mines in South Africa.

Further information on Exxaro Resources Limited can be found at www.exxaro.com.

ABOUT AFRICAN IRON LIMITED

African Iron Limited (**ASX: AKI**) ("**African Iron**") is an Australian listed and domiciled iron ore development company working on the exploration and evaluation of two projects, located in the Republic of Congo ("**RoC**") in central West Africa.

The RoC is a stable, single party dominant republic in central West Africa (and should not be confused with the volatile Democratic Republic of Congo). The current government has been in power for more than ten years and was re-elected for an additional term of seven years following peaceful elections in 2009.

African Iron's projects are located in the Niari Prefecture approximately 300kms north-east of Pointe-Noire.

African Iron's key asset is its 92% interest in the Mayoko iron ore project ("**Mayoko**" or "**Mayoko Project**") where the Company is currently completing a 30,000 metre resource definition drilling program, metallurgical testwork and infrastructure studies related to the production and export of a minimum of 5 million tonnes per annum of direct shipping lump and fines iron ore ("**DSO**") by mid-2013.

African Iron's second iron ore opportunity is its 85% interest in the 944km² Ngoubou-Ngoubou Authority to Prospect which lies to the north-northeast of, and is contiguous with, Mayoko. The Company is currently completing a reconnaissance exploration program prior to advancing the Authority to Prospect to an exclusive, Exploration Permit.

The Mayoko Project represents a near term development opportunity in an emerging iron ore province in central West Africa. Unlike other iron ore projects in the region, it has excellent infrastructure endowment with a nearby underutilised, heavy haulage mineral railway passing within 2km of the main prospect at Mount Lekoumou and terminating at the port of Pointe-Noire on the Atlantic Ocean.

Mayoko has an oxide cap comprising DSO and enriched hematite banded iron formation ("**bDSO**"), with underlying magnetite iron mineralisation. As at October 2011, Mayoko had an Indicated and Inferred DSO Mineral Resource estimate of 44Mt at 55% Fe and an Inferred bDSO Mineral Resource estimate of 77Mt at 41% Fe. Drilling is ongoing with further resource growth expected in 2012.

The Company's objective is to develop an initial 5Mtpa DSO operation at Mayoko by mid-2013 leveraging off the project's proximity to existing rail and port infrastructure.



Competent Person Statement

The information in this Release that relates to Exploration Results and Mineral Resources is based on information reviewed and compiled by Mr Patrick Vekemans, who is a Member of the Australian Institute of Geosciences. Mr Vekemans is a contractor to African Iron Limited and has sufficient experience which is relevant to the style of mineralisation and the 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, Minerals Resources and Ore Reserves. Mr Vekemans consents to the inclusion in the Release of this information in the form and context in which it appears.