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The Company Announcements Office  
ASX Limited

Via E Lodgement

## Cape Lambert completes 30% investment in Marampa, Hematite Iron Ore Project

### Key points:

- **Completion of 30% investment in Marampa Iron Ore Limited, owner of the Marampa Iron Ore Project in Sierra Leone, West Africa.**
- **Exclusive option to acquire remaining 70% interest in Marampa Iron Ore Limited, resulting in the Company being the 100% owner of the Marampa Iron Ore Project.**
- **The Company has the right to withdraw from the transaction upon expending an initial US\$5million.**

Australian domiciled iron ore company Cape Lambert Iron Ore Limited ("**Cape Lambert**" or the "**Company**") (ASX: **CFE**, AIM: **CLIO**) has today formalised an agreement relating to the 30% investment in Marampa Iron Ore Limited ("**Marampa**"), a wholly owned subsidiary of African Minerals Limited ("**African Minerals**") (AIM: **AMI**) and owner of the Marampa Iron Ore project ("**Marampa Project**") in Sierra Leone.

The formalisation of this agreement is further to the conditional agreement, announced on 2 September 2008, and follows the completion of all necessary legal and technical due diligence tasks associated with the investment.

Under the terms of the agreement, Cape Lambert will issue 44 million shares in the Company (representing approximately 9% of the Company) to African Minerals and has committed to invest, subject to paragraphs (a), (d) and (e) below, US\$25million in the Marampa Project to fund a definitive feasibility study.

Other key terms of the investment are as follows:

- (a) A commitment to contribute US\$25million 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. 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. The Company will contribute an initial US\$5million upon completion occurring.
- (b) The Company has the right, in its sole discretion, to withdraw from the transaction upon expending an initial US\$5million. If the Company exercises this right, it shall retain a pro-rata interest in Marampa and will have no further expenditure obligations, other than to make contributions pro-rata to its shareholding in Marampa.
- (c) The shares issued to Marampa in consideration for the acquisition will not be entitled to participate in any capital reduction or dividend announced by the Company on 18 August 2008 and proposed to be paid to shareholders in October 2008.

- (d) The Agreement provides Cape Lambert with the right to terminate the Agreement if the exploration licence upon which the Marampa Project is located is revoked, rescinded, terminated or cancelled, or its boundary or area is materially and adversely changed in any manner whatsoever within 12 months of the date of completion of the Agreement. Upon the Company exercising its right to terminate, the parties have an obligation to do all that is possible to unwind the transaction, including the repayment of all funds paid by the Company under the Agreement and the buy back and cancellation of all shares issued under the Agreement for nominal consideration. To this end, a separate share buy back agreement, which is subject to shareholder approval, has been executed by the parties.
- (e) Subject to the Government of Sierra Leone and African Minerals finalising a 99 year lease for the Pepel Port and railway connecting the Marampa Project to the Port, African Minerals has agreed to grant access rights to Marampa to this infrastructure. However, in the event African Minerals is unable to grant such rights to Marampa within 12 months of the date of completion, the Company may terminate the Agreement with the same effect as that described in paragraph (d).
- (f) As a result of the provisions referred to in paragraphs (d) and (e), the shares to be issued to African Minerals will be subject to a 12 month voluntary escrow period.
- (g) Initially, Cape Lambert Chairman Tony Sage and senior technical advisor Joe Ariti will be appointed to the Board of Directors of Marampa, thereby giving the Company 50% Board representation.
- (h) The Company has been granted an exclusive option to acquire the remaining 70% in Marampa (resulting in the Company holding a 100% interest in the Marampa Project) in consideration for US\$200 million, less the value of the consideration paid by the Company on completion of the 30% acquisition, which may be satisfied in cash, shares or a combination of both. The option may be exercised by the Company either three (3) months immediately after the finalisation of the definitive feasibility study or the date 20 months from the completion date (whichever is the earlier).
- (i) The Agreement includes usual representations, warranties and indemnities provided by African Minerals and Marampa.

### **Marampa Project and Infrastructure**

A summary of the Marampa Project and nearby infrastructure has previously been provided to the market. Please refer to the Company's announcement dated 2 September 2008.

### **Strategy**

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

- (a) Drill testing the defined anomalous gravity targets, with the objective of delineating a JORC compliant mineral resource.
- (b) The extension of gravity surveys to cover prospective areas within the 20km long regional structure. 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 potential mineralised inventory.

- (c) Completing metallurgical test work, engineering and environmental studies to enable the scope, capital cost and economics of the Marampa Project to be defined.

Yours faithfully  
Cape Lambert Iron Ore Limited

Tony Sage  
**Executive Chairman**

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