

## **General Meeting of Shareholders Notice of Meeting**

The Company is pleased to advise a General Meeting of Shareholders of Cape Lambert Resources Limited will be held on 25 January 2010 at 9am (WST).

The Company has today dispatched the Notice of Meeting to shareholders, please find a copy to follow.

Yours faithfully  
Cape Lambert Resources Limited



**Eloise von Puttkammer**  
Company Secretary

Cape Lambert is an Australian domiciled, mineral investment company. Its current investment portfolio is geographically diverse and consists of mineral assets and interests in mining and exploration companies.

The Company continues to focus on investment in early stage resource projects and companies, primarily in iron ore, copper and gold. Its "hands on" approach is geared to add value and position assets for development and/or sale.

The Board and management exhibit a strong track record of delivering shareholder value.

### **Australian Securities Exchange Code: CFE**

Ordinary shares  
565,166,467

Unlisted options (30 June 2010)  
8,350,000

Unlisted options (31 Oct 2010)  
28,000,000

### **Board of Directors**

Tony Sage Executive Chairman  
Tim Turner Non-executive Director  
Brian Maher Non-executive Director  
Eloise von Puttkammer  
Company Secretary

### **Key Projects and Interests**

Lady Annie Copper Project  
Marampa Iron Ore Project  
Sappes Gold Project  
DMC Mining Limited  
Corvette Resources Limited

### **Cape Lambert Contact**

Tony Sage  
Executive Chairman  
Phone: +61 8 9380 9555

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**CAPE LAMBERT RESOURCES LIMITED**

**ACN 095 047 920**

**NOTICE OF GENERAL MEETING**

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**TIME:** 9.00 am (WST)

**DATE:** 25 January 2010

**PLACE:** Kailis Bros, upstairs 101 Oxford Street, Leederville, Western Australia 6007

*This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.*

*Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9555.*

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Independent Expert's Report	Attached
Proxy Form	Enclosed

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**TIME AND PLACE OF MEETING AND HOW TO VOTE**

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**VENUE**

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The General Meeting of the Shareholders of Cape Lambert Resources Limited to which this Notice of Meeting relates will be held at 9.00 am (WST) on 25 January 2010 at:

Kailis Bros,  
Upstairs 101 Oxford Street,  
Leederville, Western Australia 6007

**YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

**VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

**VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return as follows:

- (a) in person to Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace Perth, Western Australia 6000; or
- (b) by post to Computershare Investor Services Pty Ltd, PO Box 242 Melbourne, Victoria 3001 or in the self address envelope provided; or
- (c) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia),

so that it is received not later than 9.00 am (WST) on 23 January 2010.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is given that the General Meeting of Shareholders will be held at 9.00 am (WST) on 25 January 2010 at Kailis Bros, upstairs 101 Oxford Street, Leederville, Western Australia 6007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 4.00pm (WST) on 23 January 2010.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

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## AGENDA

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### 1. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE SHARES IN MARAMPA IRON ORE LIMITED

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rules 7.1 and 10.1, and for all other purposes, shareholders approve the acquisition by the Company of 57 “A” shares in Marampa Iron Ore Limited (**Marampa**) owned by African Minerals Limited (**AML**) in consideration for the issue of fully paid ordinary shares in the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by African Minerals Limited and any of its associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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### 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the allotment and issue of 24,569,934 Shares in consideration for the acquisition of 43 “A” shares in Marampa from AML on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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3. **RESOLUTION 3 – DISPOSAL OF MAJOR ASSET**

To consider and, if thought fit, to pass, with or without amendment, the following Resolution as an **ordinary Resolution**:

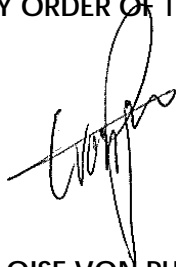
*“That, for the purposes of ASX Listing Rule 11.4 and for all other purposes, approval is given for the sale by the Company of Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, to Q Copper Australia Limited, a subsidiary entity of the Company, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Q Copper Australia Limited and any associates of that entity.

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DATED: 18 DECEMBER 2009

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Eloise von Puttkammer', written over a horizontal line.

ELOISE VON PUTTKAMMER  
CAPE LAMBERT RESOURCES LIMITED  
COMPANY SECRETARY

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## EXPLANATORY STATEMENT

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 9.00 am (WST) on 25 January 2010 at Kailis Bros, upstairs 101 Oxford Street, Leederville, Western Australia 6007.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### 1. RESOLUTION 1 – ISSUE OF SHARES TO ACQUIRE MARAMPA IRON ORE

#### 1.1 Background and information on investment in Marampa Iron Ore Limited

On 1 October 2008, the Company formalised an agreement (**First Marampa Agreement**) to acquire a 30% investment in Marampa Iron Ore Limited (**Marampa**), a wholly owned subsidiary of African Minerals Limited (**AML**), and the owner of the Marampa Project (**Project**).

Under the terms of the First Marampa Agreement, Cape Lambert paid an initial scrip consideration of 44 million Shares, committed to sole fund US\$25 million towards a feasibility study, and assumed management of Marampa. The Company was also granted an option to acquire the remaining portion of Marampa for US\$200 million less the value of scrip issued and feasibility study expenditure incurred to the date of exercising the option (**Option**) (see the Company's ASX announcement dated 1 October 2008).

Cape Lambert assumed management of the Marampa Project on 1 October 2008 and commenced mobilization and field work in January 2009.

On 22 January 2009, Cape Lambert increased its investment in Marampa to 35% with a further scrip consideration payment of 17 million Shares, (see the Company's ASX announcement dated 22 January 2009).

On 25 November 2009, the Company announced that it had entered into an agreement to increase its stake in Marampa from 35% to 100% through an all scrip deal with AML valued at \$31 million in two tranches:

- (a) 24,569,934 Shares at the time of settlement in consideration for 43 "A" Shares in Marampa, increasing the Company's interest in Marampa and the Project from 35% to 63%. This occurred on 4 December 2009; and
- (b) 32,592,789 Shares upon receipt of Shareholder approval in consideration for a further 57 "A" Shares, resulting in the Company owning 100% of Marampa and the Project.

#### 1.2 Background and information on Marampa Project

The Project is a brownfields iron ore, exploration project located near the township of Lunsar in Sierra Leone, West Africa. It is defined by Exploration Licence EXPL 09/06, which covers an area of approximately 315km<sup>2</sup>.

The Exploration Licence encloses (but excludes) Mining Lease ML 02/05 held by London Mining which covers the former Sierra Leone Development Co Limited (**DELCO**), open cut mining operation. DELCO commenced operations in 1933 and exported iron ore from the area until the mine closure, due to depressed commodity prices, in 1977.

Iron mineralisation at the Project consists of several hard rock hematite schist drill targets, two of which represent extensions to the iron mineralisation mined by DELCO.

In late June 2009, the Company commenced a diamond drilling program at the Gafal West prospect designed to elucidate the structure, thickness and grade of the hematite schist mineralisation. To date, 3,576m in eight (8) holes have been drilled and half of the diamond core has been dispatched to Australia for head grade analysis and metallurgical test work. First assay results are expected in early 2010.

Planning of exploration for 2010 is well advanced with ground work on two (2) further drill targets underway and additional ground geophysical surveys scheduled to generate new targets. The ground work includes detailed trenching and geological mapping at the Matukia prospect, in preparation for commencement of further reconnaissance diamond drilling early in 2010.

The Project has reduced barriers for entry to production compared to “greenfields” iron ore projects through its connection by approximately 80 km of rail infrastructure to an existing deep water port, stockpiling and ship loading facility located at Pepel (**Rail and Port Infrastructure**). Cape Lambert has a right of access to the Rail and Port Infrastructure, which is currently leased from the Government of Sierra Leone by AML. This right of access will continue after the Company acquires 100% of Marampa.

### 1.3 Current transaction

The First Marampa Agreement provided the Company with recourse if, amongst other things, the boundary or area of the Exploration Licence (**EXPL 09/06**) were “materially and adversely changed in any manner whatsoever”.

As a consequence of the settlement of a dispute, dated 20 August 2009, between London Mining Plc (**London Mining**) and AML regarding the boundaries of London Mining’s lease ML 02/05 and of EXPL 09/06, the boundaries of ML 02/05 were changed.

The changes made to the boundaries of ML 02/05, under the settlement between London Mining and AML were considered material by the Company. Consequently and having regard to its rights under the First Marampa Agreement, the Company has negotiated the acquisition of 100% of Marampa on more favourable terms than those set out in the First Marampa Agreement and in accordance with details laid out in this Notice of Meeting.

As previously advised to Shareholders on 25 November 2009, the Company has entered into an agreement with AML pursuant to which the Company agreed to purchase all of the “A” shares in the capital of Marampa (**Marampa Agreement**). All of the “A” shares in Marampa, being a total of 100, are held by AML, whilst all of the “B” shares in Marampa, being a total of 54, are held by Cape Lambert. Completion of the agreement will result in the Company owning 100% of Marampa and the Project.

The Marampa Agreement contains the following material terms and conditions:

- (a) (**Marampa Transaction**): AML agreed to sell and the Company agreed to purchase 100% of the issued “A” shares in Marampa on the terms and conditions set out in the Marampa Agreement (**Marampa Transaction**).

- (b) **(Consideration)**: As consideration for the purchase of the "A" shares, the Company will issue 57,162,723 Shares to AML **(Consideration)** in two separate tranches as follows:
  - (i) in consideration for AML transferring to the Company 43 "A" shares (representing 28% of Marampa), the Company issued to AML 24,569,934 Shares on 4 December 2009 **(Tranche 1)**. From completion of Tranche 1, the Company holds 63% of Marampa and the Project; and
  - (ii) in consideration for AML agreeing to transfer to the Company the remaining 57 "A" shares, the Company agreed to issue to AML a further 32,592,789 Shares, subject to Shareholders approving the issues of these Shares **(Tranche 2)** in accordance with ASX Listing Rules 7.1 and 10.1. The Shares issued pursuant to Tranche 2 will be escrowed in accordance with the Listing Rules. Upon completion of Tranche 2, the Company will own 100% of Marampa and the Project;
- (c) **(Settlement)**: Settlement of Tranche 1 occurred on 4 December 2009. Settlement of Tranche 2 will occur 1 day after Shareholder approval is obtained for the issue of the Tranche 2 Shares;
- (d) **(Warranties)**: the Marampa Agreement contains standard warranties and representations on behalf of Marampa for an agreement of this nature;
- (e) **(Assignment)**: neither party may assign or transfer its interest under the Marampa Agreement to any third party without the prior written consent of the other party; and
- (f) **(Governing Law)**: the Marampa Agreement is subject to English law and the parties submit to the exclusive jurisdiction of the courts of England and Wales.

#### 1.4 Impact of the Marampa Transaction on the Company

Prior to the Marampa Transaction the Company held 35% of Marampa. The effect of the Marampa Transaction on the Company is to acquire the remaining 65% of Marampa (resulting in the Company holding 100% of Marampa) in consideration for the issue of Shares to AML.

This results in various advantages and disadvantages which Shareholders need to consider in assessing the impact of the Marampa Transaction on the Company.

The Directors consider that the Marampa Transaction has a number of key advantages and disadvantages as noted below, some of which are considered by the Independent Expert:

- (i) The Company will have complete and unencumbered operational control of the Project and as 100% owner, will receive all the benefit of realised Project upside.
- (ii) The Company's cash position will be preserved as the consideration payable by the Company to obtain the remaining 65% of Marampa is the issue of Shares only.



- (iii) The total consideration paid by the Company for Marampa and the Project is considerably less than what would have been paid under the Option of the First Marampa Agreement.
- (iv) The value of the total consideration paid by the Company for 100% of Marampa and the Project is considerably less than preferred value of Marampa and the Project as determined by the Independent Expert.

The disadvantages noted by the Independent Expert include:

- (i) Shareholders will be diluted as result of the Shares issued to AML in consideration for the acquisition of the remaining 37% interest in Marampa.
- (ii) AML's shareholding in the Company will increase to 19.77%, which may decrease the Company's takeover optionality.

## 1.5 Impact on capital structure and level of control by AML

As detailed in section 1.4, the consideration payable by the Company under the Marampa Transaction, is the issue to AML of a total of 57,162,723 Shares in two separate tranches.

The effect on the capital structure of the Company, after the issue of the Tranche 1 Shares, and if Resolution 1 is passed (on an undiluted basis) is set out in the table below:

Shares	Number
Shares on issue prior to the Marampa Agreement	540,596,533
Shares issued to AML under Tranche 1 of the Marampa Transaction	24,569,934
Shares to be issued to AML under Tranche 2 of the Marampa Transaction	32,592,789
<b>Total Shares on issue at completion of the Marampa Transaction</b>	<b>597,759,256</b>

Options	Number
Options on issue at date of Notice of Meeting	36,350,000
Options to be issued to AML under the Marampa Transaction	Nil
<b>Total Options on issue at completion of the Marampa Transaction</b>	<b>36,350,000</b>

AML currently holds 85,569,934 Shares in the Company, which equates to 15.14% of the Company's issued capital. If Shareholders approve Tranche 2 of the Marampa Transaction and the Company issues the Shares under Tranche 2 of the Marampa Transaction, AML's interest in the Company will increase to 118,162,723 Shares which will equate to 19.77%.

## 1.6 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity (or any of its subsidiaries) must not

acquire a “substantial asset” from, or dispose of a substantial asset to, a substantial holder (if the person and the person’s associates have a “relevant interest”, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities).

An asset is substantial if its value or the value of the consideration for it is, or in ASX’s opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules.

For the purposes of ASX Listing Rule 10.1, AML, is considered to be a substantial Shareholder in the Company as it held 11.28% of the Company’s issued capital prior to the issue of the Tranche 1 Shares of the Marampa Transaction and 15.14% after the issue of the Tranche 1 Shares of the Marampa Transaction. The issue of the Tranche 2 Shares of the Marampa Transaction therefore requires Shareholder approval for the purpose of ASX Listing Rule 10.1.

ASX Listing Rule 10.1 provides that Shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert.

The Independent Expert’s Report prepared by Stantons International Securities (**Stantons**) sets out a detailed examination of the Marampa Transaction contemplated by Resolution 1 to enable Shareholders to assess its merits. The Independent Expert’s Report concludes that the Marampa Transaction is **Fair and Reasonable** to the non-associated Shareholders of the Company.

## 1.7 Listing Rule 7.1

Listing Rule 7.1 provides that the prior approval of the shareholders of a company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of the 15% threshold is where the issue has the prior approval of shareholders in general meeting.

The effect of Resolution 1 will be to allow the Directors to issue 32,592,789 Shares, being the Shares the subject of Tranche 2 of the Marampa Transaction, during the period of 3 months after the General Meeting (or a longer period if allowed by ASX), without using the Company’s 15% placement capacity.

In compliance with the information requirements of ASX Listing Rule 7.3, Shareholders are advised of the following particulars in relation to the proposed issue pursuant to Resolution 1:

- (a) the maximum number of Shares to be issued pursuant to Resolution 1 is 32,592,789 Shares;
- (b) the allottee of the Shares will be AML (or its nominee);
- (c) the deemed issue price of the Shares will be \$0.5461 each (being the volume weighted average price of the Company’s Shares on ASX for the 5 trading days immediately prior to the date of execution of the Marampa Agreement);
- (d) the Shares will be issued on the same terms as the existing fully paid ordinary shares in the Company;

- (e) the Shares will be issued as Tranche 2 of the Marampa Transaction as set out in this Explanatory Statement;
- (f) the Shares will be issued as soon as practicable after the meeting and in any event not later than 3 months after the date of this meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that the Shares will be issued on one and the same date; and
- (g) no funds will be raised from the issue of the Shares as they are being issued as Tranche 2 of the Marampa Transaction.

## 1.8 Interests and Recommendations of Directors

Based on the information available, including that contained in this Explanatory Statement and the Independent Expert's Report, including the advantages and disadvantages outlined in detail in those two documents (refer to section 1.4 of the Explanatory Statement and section 10 of the Independent Expert's Report), all of the Directors consider that the Tranche 2 of the Marampa Transaction the subject of Resolution 1 is in the best interests of the Company.

## 1.9 Role of the Independent Expert

The Independent Expert's Report assesses whether the proposals outlined in Resolution 1 are fair and reasonable to the Shareholders who are not associated with AML. The Independent Expert's Report also contains an assessment of the advantages and disadvantages of the Marampa Transaction the subject of Resolution 1. This assessment is designed to assist all Shareholders in reaching their voting decision.

Stantons has prepared the Independent Expert's Report and has provided an opinion that it believes the proposal as outlined in Resolution 1 is **Fair and Reasonable** to the Shareholders of the Company not associated with AML. It is recommended that all Shareholders read the Independent Expert's Report in full.

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## 2. RESOLUTION 2 – RATIFICATION OF PRIOR ISSUE – SHARES

### 2.1 General

As set out in Section 1.3, on 4 December 2009, the Company issued 24,569,934 Shares as Tranche 1 of the Marampa Transaction.

The recipient pursuant to this issue was AML who is not a related party of the Company.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Share Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) then those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By approving Resolution 2 and ratifying this issue of Shares, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

## **2.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Share Ratification:

- (a) 24,569,934 Shares were allotted and issued on 4 December 2009;
- (b) the deemed issue price was \$0.5461 each (being the volume weighted average price of the Company's Shares on ASX for the 5 trading days immediately prior to the date of execution of the Marampa Agreement);
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were allotted and issued to AML; and
- (e) no funds were raised from the issue of the Shares as they were issued as Tranche 1 of the Marampa Transaction.

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## **3. RESOLUTION 3 – DISPOSAL OF MAJOR ASSET**

### **3.1 General**

At the 2009 Annual General Meeting, Shareholders approved the sale of the Lady Annie Project on the terms set out in the notice of meeting convening the 2009 Annual General Meeting.

As announced on 15 December 2009, the terms of the sale have now changed and accordingly, approval is now sought for the sale of Cape Lambert Lady Annie, the owner of the Lady Annie Project, to Q Copper (a subsidiary of the Company) on the terms set out in this Explanatory Statement. Further details of the Lady Annie Project are set out in Section 3.3.

Q Copper was incorporated in November 2009 for the purpose of entering into the Share Sale Agreement (as summarised in Section 3.2) and seeking a listing on the official list of ASX.

Q Copper intends to seek a listing on the official list of ASX through an initial public offering pursuant to a prospectus that was lodged at ASIC on 16 November 2009 and a supplementary prospectus that was lodged on 14 December 2009 (together, the **Prospectus**). Pursuant to the Prospectus, Q Copper is seeking to raise up to \$174,500,000 through the issue of 174,500,000 fully paid ordinary shares at \$1.00 per share. The Company will retain between 10% and 15% of the shares in Q Copper. A representative of the Company is on the board of Q Copper.

Pursuant to ASX Listing Rule 11.4, a listed entity must not, without shareholder approval, dispose of a major asset if, at the time of the disposal, it is aware that the entity acquiring the asset intends to issue or offer securities with a view to becoming listed.

Cape Lambert Lady Annie is currently a child entity of the Company and the proposed sale of 100% of the shares in Cape Lambert Lady Annie (the owner of the

Lady Annie Project) to Q Copper (a subsidiary of the Company) will constitute the disposal of a major asset by the Company. Accordingly, Shareholder approval of the transaction is required pursuant to ASX Listing Rule 11.4.

### 3.2 Share Sale Agreement

The Company has entered a share sale agreement with Cape Lambert Lady Annie and Q Copper pursuant to which Q Copper has agreed to purchase and the Company has agreed to sell 100% of the shares in Cape Lambert Lady Annie (**CLLAE Shares**) (**Share Sale Agreement**). The material terms and conditions of the Share Sale Agreement are as follows:

(**Conditions precedent**): Settlement of the Share Sale Agreement (**Settlement**) is subject to satisfaction or waiver of certain conditions precedent (together, the **Conditions**), including:

- (a) Q Copper completing a financial and legal due diligence on Cape Lambert Lady Annie, to the sole and absolute satisfaction of Q Copper;
- (b) the Company providing Q Copper with evidence that all of the assets of Cape Lambert Lady Annie (other than the assets which comprise the Lady Annie Project Assets (**Lady Annie Project Assets**)) have been transferred out of Cape Lambert Lady Annie on terms and conditions acceptable to Q Copper;
- (c) Q Copper and/or the Company obtaining all necessary governmental consents, shareholder and third party approvals, and authorisations required to transfer Cape Lambert Lady Annie to Q Copper; and
- (d) Q Copper raising the minimum subscription pursuant to the Offer (being \$164,500,000) and obtaining conditional approval to list on ASX subject to conditions acceptable to Cape Lambert and the Company.

(**Consideration**): The consideration payable by Q Copper for the purchase of 100% of the CLLAE Shares shall be equal to \$137,500,000, to be satisfied by the payment of cash (**Cash Consideration**) and issue of Shares (**Share Consideration**) (together the, **Consideration**) as follows:

- (a) if \$164,500,000 is raised pursuant to the Offer (being the minimum subscription amount), the Share Consideration shall be 29,000,000 Shares so that, following completion of the Offer and Settlement, Cape Lambert shall hold approximately 15% of the expanded capital of the Company;
- (b) if more than \$164,500,000 and less than \$174,500,000 is raised pursuant to the Offer, the Share Consideration shall be calculated in accordance with the following formula:

$$SC = 29,000,000 - \left[ \frac{CR - 164,500,000}{174,500,000 - 164,500,000} \right] \times (174,500,000 - 164,500,000)$$

Where:

**SC** means the amount of the Share Consideration.

**CR** means the amount raised under the Offer.

- (c) if \$174,500,000 is raised pursuant to Offer (being the full subscription), the Share Consideration shall be 19,000,000 Shares so that, following

completion of Offer and settlement, the Company shall hold approximately 10% of the expanded capital of Q Copper; and

- (d) the amount of the Cash Consideration shall be calculated in accordance with the following formula:

$$CC = \$137,500,000 - SC$$

Where:

**CC** means the amount of the Cash Consideration.

**SC** means the amount of the Share Consideration as determined in accordance with paragraph (a), (b) or (c) as above (as applicable).

**(Settlement)**: Settlement of the Share Sale Agreement will take place five Business Days after the last of the Conditions is satisfied or waived by the parties (**Settlement Date**).

**(Cash Target)**: Q Copper acknowledges that between the date of execution of the Share Sale Agreement (**Execution Date**) and the Settlement Date, cash will be withdrawn from Cape Lambert Lady Annie such that, as at the Settlement Date, the cash position of Cape Lambert Lady Annie shall equal an amount representing the trade and other creditors of Cape Lambert Lady Annie as at the Settlement Date net of amounts owing to Cape Lambert Lady Annie by trade and other debtors as at the Settlement Date.

**(Excluded Assets)**: The rights to explore for and mine phosphate on all of the tenements other than the Mount Kelly Tenements and all assets of Cape Lambert Lady Annie other than the Lady Annie Project Assets shall be assigned from Cape Lambert Lady Annie to a third party prior to the Settlement Date (**Excluded Assets**).

**(Excluded Liabilities)**: Following the Settlement Date, the Company will retain the liabilities and obligations in relation of any amounts owing to the Office of State Revenue or CopperCo, in relation to the Company's acquisition of the Lady Annie Project pursuant to the CopperCo Asset Sale Agreement, and any amounts owing to CopperCo in relation to the Company's acquisition of the Lady Annie Project and any of the Excluded Assets (**Excluded Liabilities**).

**(Assumed Liabilities)**: From the Settlement Date, Q Copper will assume all obligations of Cape Lambert Lady Annie (other than the Excluded Liabilities) including but not limited to any portion of the EPOs which cannot be satisfied by the Receiver.

**(Environmental and Other Bonds and Bank Guarantees)**: All of the environmental bonds and other bonds in respect of the Tenements (**Bonds**) will remain in the name of the Company for a period of up to 18 months following the Settlement Date after which time they must be replaced by Q Copper. In addition, the Company has provided Cape Lambert Lady Annie with funds which serve as security for bank guarantees under a power purchase agreement and a customer connection agreement (**Bank Guarantees**). In the event that the Bank Guarantees are drawn upon, Q Copper is required to re-instate the drawn amount.

**(Pre-emptive Right)**: If Q Copper proposes to assign, sell or otherwise transfer all or any of the Tenements to a third party (other than to a related body corporate) and is in receipt of an offer, it must first offer the Company the right to acquire that Tenement(s) upon the same terms and conditions as being offered to the said third party. If such offer is not accepted by the Company within 45 days after the making

of the offer, Q Copper may sell, assign or otherwise transfer the Tenement(s) to the third party on terms no more favourable than those offered to the Company, subject to the third party entering into a deed of covenant agreeing to be bound by the terms of the Share Sale Agreement in respect of the Company's rights and obligations.

**(Loan Facility):** National Australia Bank has provided Cape Lambert Lady Annie with a short term loan facility pursuant to which it can draw down a maximum of \$900,000 **(Loan Facility)**. The Loan Facility has an expiry date of 30 April 2010 and interest shall accrue on amounts drawn down at a variable rate. The Company has provided Cape Lambert Lady Annie with \$145,500, which serves as security for the draw downs under the Loan **(Loan Security)**. Q Copper must either:

- (a) settle in full all amounts owing under the Loan; or
- (b) replace the Loan Facility Security,

on 30 April 2010 **(Replacement Date)**. On the Replacement Date, Q Copper must transfer funds equal to the Loan Security to the Company.

**(Warranties):** the Company provides warranties to Q Copper which are standard in agreements of this nature relating to the CLLAE Shares and the Lady Annie Project including but not limited to the following:

- (a) as at the Settlement Date, the CLLAE Shares to be acquired by the Company pursuant to the Share Sale Agreement shall comprise 100% of the issued share capital of Cape Lambert Lady Annie;
- (b) during the period between the Execution Date and the Settlement Date, the Company will ensure the Tenements are maintained in full force and effect and are kept in good standing and free from any liability to forfeiture or non renewal under the Mining Act;
- (c) other than the Lady Annie Project Assets which are the subject of equipment leases, all of the Lady Annie Project Assets are fully paid for, and are either the absolute property of Cape Lambert Lady Annie and clear of all encumbrances (other than various encumbrances including the EPOs, caveats and other encumbrances over the Tenements as detailed in the Share Sale Agreement) or, used by Cape Lambert Lady Annie under a contract under which it is entitled to use the assets on the terms and conditions of such contract and in the possession of Cape Lambert Lady Annie, its agent or nominee, except as otherwise identified in the Share Sale Agreement;
- (d) Cape Lambert Lady Annie is the beneficial owner of the Tenements and no person except Cape Lambert Lady Annie is the beneficial owner of the Tenements and no person except Cape Lambert Lady Annie has any rights of any nature in respect of the Tenements other than as disclosed in the Share Sale Agreement;
- (e) subject to the disclosure contained in the Share Sale Agreement in relation to various minimum expenditure obligations not being met on various Tenements, other than where they are applications, the Tenements are in full force and effect and in good standing and not liable to cancellation or forfeiture for any reason; and

- (f) Cape Lambert Lady Annie has all permits, licenses, authorities, registrations and approvals necessary for properly carrying on the business operated by Cape Lambert Lady Annie,

(together, the **Vendor Warranties**).

**(Indemnity):** The Company indemnifies and agrees to indemnify Q Copper and Cape Lambert Lady Annie against, and must pay Q Copper an amount equal to, any loss suffered or incurred by Q Copper or Cape Lambert Lady Annie in connection with a breach of any of the Vendor Warranties. In respect of any breach of any of the Vendor Warranties, "loss" includes an amount that would be necessary to put Q Copper or Cape Lambert Lady Annie (as applicable) in the same position as if the relevant Vendor Warranty had been true.

**(Other terms):** The Share Sale Agreement contains other terms which are standard in agreements of this nature.

### 3.3 Lady Annie Project

The Lady Annie Project is located approximately 120km northwest of Mt Isa in Queensland, Australia. Granted tenements held by the Lady Annie Project cover approximately 1,640km<sup>2</sup> and include 14 Mining Leases and 29 Exploration Permits for minerals. There are a further 46 exploration permit applications covering approximately 1,500km<sup>2</sup>.

The Lady Annie Project comprises an established oxide copper, heap leach, electrowinning and solvent extraction plant capable of producing approximately 25,000 tonnes per annum of copper cathode. Oxide copper ore was sourced from open pit mines at the Lady Annie and Mount Kelly mining areas until mining was suspended in February 2009.

The total Mineral Resources for the Lady Annie Project comprised 24 million tonnes at 0.9% Cu of oxide copper mineralisation (223,000 tonnes of contained copper metal) and 15.8 million tonnes at 0.8% Cu of sulphide copper mineralisation (127,000 tonnes of contained copper metal) (refer to the Prospectus for the full Mineral Resource statement).

The existing identified oxide copper mineral resources are expected to be sufficient to underpin a mine life of approximately 4 to 5 years, once operations are re-established, with potential extensions achievable from further exploration.

Further information in respect of the Lady Annie Project is set out in the Prospectus which can be viewed and downloaded at [www.qcopper.com.au](http://www.qcopper.com.au).

### 3.4 Ongoing activities

The Company has significant cash reserves and a multi commodity and geographically diverse portfolio of mineral assets and investments. Its continual focus is on creating wealth for Shareholders by acquiring and adding value to early stage mineral assets for development or sale.

Following the sale of the Lady Annie Project (via Cape Lambert Lady Annie) and initial public offering of Q Copper, the Company will retain interests in a number of projects and shareholding (**Assets**), with key Assets summarised below.



### ***Sale of Cape Lambert Magnetite Project to MCC Mining***

During 2008, Cape Lambert sold its Pilbara namesake magnetite project to Chinese conglomerate China Metallurgical Group Corporation (**MCC**) and has received A\$320 million of the A\$400 million sale price. The final cash payment of A\$80 million is to be paid by MCC on the grant of a mining lease and related construction approvals for the project.

### ***Marampa Iron Ore Project***

Details of the Marampa Project and the Company's interest in the Marampa Project is set out elsewhere in this Explanatory Statement.

### ***Sappes Gold Project***

The Sappes Gold Project is located in north eastern Greece approximately 30km north west of the port city of Alexandroupolis, which is located on the Aegean Sea (**Sappes Gold Project**). The Sappes Gold Project is 100% owned by Cape Lambert through its wholly owned subsidiary Cape Lambert MinSec Pty Ltd.

The Sappes Gold Project is located on a 20.1km<sup>2</sup> Lease granted for 30 years in 1993.

The Sappes Gold Project is based on developing the underground high grade Viper Deposit and an open pit nearby at the St Demetrios deposit. A feasibility study was completed in 2003 and updated in 2006. The Sappes Gold Project is currently in the permitting stage. The feasibility study proposed production of approximately 100,000 ounces of gold (in dore and flotation concentrate) over 5 years with a cash operating cost of approximately A\$430/oz.

The total Mineral Resource at the Viper deposit is 1 million tonnes at 21.4 g/t gold (682,300 ounces of contained gold). The total Mineral Resource at the St Demetrios deposit is 0.8 million tonnes at 3.4 g/t gold (86,300 ounces of contained gold).

### ***Lady Loretta Project***

The Lady Loretta Pb-Zn-Ag deposit is located approximately 120km north of Mt Isa, Queensland and 3km east of the Lady Annie Project (**Lady Loretta Project**). The Lady Loretta Project is held under granted Mining Lease (ML5568), which covers an area of 3,264 hectares.

Cape Lambert owns 25% of the Lady Loretta Project in a joint venture with a subsidiary of Xstrata plc (**Xstrata**) (75% and manager) (LSE: XTA.L).

The Lady Loretta Project is a substantial and advanced underground high grade zinc project. Present feasibility work is focussed on a mine-only development at the Lady Loretta Project, with ore hauled by road to Xstrata's ore processing facilities at Mt Isa.

The total Mineral Resource for the Lady Loretta deposit is 13.7 million tonnes at 17% Zn, 5.8% Pb and 96 g/t Ag.

### ***Australis Exploration Pty Ltd***

Australis Exploration Pty Ltd (**Australis**) is a private company that is 100% owned by Cape Lambert through its wholly owned subsidiary Cape Lambert MinSec Pty Ltd.

Australis holds exploration licences and applications covering approximately 38,000km<sup>2</sup> located in the Northern Territory and Queensland. The tenement package covers extensive portions of the northern and eastern margins of the

Georgina Basin, including the Alexander Ridge basement high in the Northern Territory. The tenements are prospective for rock phosphate and secondary uranium deposits.

### ***Mojo Minerals Limited***

On 27 August 2009, Cape Lambert entered into an agreement to acquire MOJO Minerals Limited (**MOJO**). MOJO holds 15 contiguous exploration tenements covering approximately 5,000km<sup>2</sup> in the southern portion of the Mt Isa Block in Queensland, which are contiguous to the land package owned by Australis. The Company's strategy for the Australis land holding is to complete a reconnaissance level exploration work program over the next 12-18 months ahead of a potential initial public offering. It is intended to include the MOJO tenement package within any initial public offering.

### ***Leichhardt Copper Project***

As announced on 16 November 2009, the Company was successful in its bid for the Leichhardt Copper Project located in North West Queensland. The Leichhardt Copper Project comprises a copper cathode process plant capable of producing 9,000 tpa and an extensive landholding with considerable exploration upside. The Leichhardt Copper Project is currently on care and maintenance. The transaction is subject to a number of conditions precedent and is expected to be completed in the first quarter 2010.

### **Other Cape Lambert Investments**

Cape Lambert also holds a 19.99% interest in the share capital of each of Tianshan Goldfields Limited and Buka Gold Limited and portfolio interests in various companies including a 37.6% interest in NiPlats Australia Ltd (ASX:NIP) and in several other listed companies.

On 3 July 2009, Cape Lambert, through its wholly owned subsidiary Dempsey Resources Pty Ltd (**Dempsey**), acquired 36.4% (diluted to 31.7% pending finalisation of a capital raising) of DMC Mining Limited (**DMC Mining**) (ASX: DMM). DMC Mining holds 80% of a 1,000km<sup>2</sup> tenement in the Republic of Congo, Africa that is prospective for large supergene hematite and itabirite iron ore deposits.

On 15 July 2009, Dempsey exercised its option to convert a \$2.3 million convertible note into 15,333,333 shares in Cauldron Energy Limited (**Cauldron Energy**) (ASX: CXU) at a conversion price of \$0.15 per share. The Company currently controls 19.4% of the issued capital of Cauldron Energy. On 20 July 2009, Dempsey subscribed for a \$1.5 million convertible note in Cauldron Energy. The note bears interest at the rate of 10% per annum and contains a conversion option whereby the outstanding loan balance can be converted into equity at a conversion price which is the lower of \$0.50 or the weighted average trading price of the company's ordinary securities as quoted on ASX over the last 20 days prior to conversion, less a discount of 15%, but not lower than \$0.425. The repayment date is 31 July 2012 or such other date as is agreed to by both parties. Cauldron Energy holds exploration tenements in Western Australia, South Australia and Argentina, which are prospective for uranium.

As announced on 14 September 2009, following its off market takeover bid, Cape Lambert now holds 46.52% of Corvette Resources Limited (**Corvette Resources**). Corvette Resources has interests in gold and heavy mineral sands projects with interests in mining tenements and tenement applications in Western Australia, Victoria, Queensland, New South Wales and South Australia.

## **Competent Person Attributes**

The metallurgical information in this Notice of Meeting relating to the Marampa Project is compiled by Mr GV Ariti who is a member of The Australasian Institute of Mining and Metallurgy. Mr Ariti 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 Ariti consents to the inclusion in this Notice of Meeting of the matters based on his information in the form and the context in which it appears.

The exploration information in this Notice of Meeting relating to the Marampa Project is based on information compiled by Mr 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 Notice of Meeting of the matters based on his information in the form and the context in which it appears.

As permitted by ASIC Class Order 03/635, this Notice of Meeting may include or be accompanied by certain statements in relation to the Lady Annie Project, the Sappes Gold Project and the Lady Loretta Project fairly representing a statement by an official person or from a public official document or a published book, journal or comparable publication.

### **3.5 Effect of proposed Initial Public Offer on the Company**

Q Copper has lodged its Prospectus and upon raising of the minimum subscription under the Offer, will seek listing on the official list of ASX.

A pro-forma consolidated balance sheet of the Company and its controlled entities post the proposed sale of Cape Lambert Lady Annie and the Q Copper initial public offer and post completion of the Marampa Transaction is included in the Independent Expert's Report annexed to this Explanatory Statement.

### **3.6 Advantages and disadvantages of the sale of the Lady Annie Project**

The principal advantages and disadvantages to Shareholders of the proposed sale of the Lady Annie Project are as follows:

#### **Advantages**

- (a) The Company proposes announcing details of a \$0.10 per Share partially franked, special dividend to Shareholders in the March 2010 quarter after successful completion of the initial public offering.
- (b) The Company will retain between 10% and 15% of the shares on issue in Q Copper being the entity that holds the right, title and interest to the Lady Annie Project which will be a company listed on ASX. Accordingly, Shareholders will retain an indirect interest in the Lady Annie Project.
- (c) The sale of the Lady Annie Project allows the Company to focus on the exploration and development of other assets to provide greater value adding opportunities to Shareholders.

- (d) The Company will receive in the order of \$137.5 million in consideration for the sale of the Lady Annie Project and the cash component can be used by the Company for additional opportunities or to develop existing assets.
- (e) The Company will not incur additional holding, exploration and production costs associated with the Lady Annie Project.

#### **Disadvantages**

- (a) There is no guarantee that the shares in Q Copper will increase in value following its listing on ASX.
- (b) Shareholders will have a decreased exposure to any economic discovery on the tenements and production from the Lady Annie Project, sold to Q Copper.

### **3.7 Information on Q Copper**

#### **(a) Background**

Q Copper was incorporated in Western Australia in November 2009 for the purpose of entering into the Share Sale Agreement and acquiring the Lady Annie Project.

Q Copper has lodged a Prospectus with the ASIC and upon raising the minimum subscription under the Offer, it will seek quotation of its securities which is expected to occur in February 2010.

Q Copper does not hold any assets. Subject to settlement of the Share Sale Agreement, Q Copper will acquire all of the shares in Cape Lambert Lady Annie, the holder of the Lady Annie Project.

Information in respect of the Lady Annie Project is detailed in 3.3 and in the Prospectus which may be viewed and downloaded at [www.qcopper.com.au](http://www.qcopper.com.au).

#### **(b) Board of directors of Q Copper**

The board of directors of Q Copper comprises of the following:

- (i) Hon John Moore AO – non executive chairman;
- (ii) Peter Mulrooney – managing director and chief executive officer;
- (iii) Joe Ariti – non executive director; and
- (iv) Marcello Cardaci – non executive director.

Further details of these persons are contained in the Prospectus.

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## **4. ENQUIRIES**

Shareholders are required to contact Ms Eloise von Puttkammer on (+ 61 8) 9380 9555 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**\$** means Australian dollars.

**AML** means African Minerals Limited (a company incorporated in Alberta, Canada and continued into Bermuda under the Companies Act 1981 of Bermuda with registered number 34816).

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited.

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

**Cape Lambert Lady Annie** means Cape Lambert Lady Annie Exploration Pty Ltd (ACN 136 930 222)

**CLLAE Shares** means a fully paid ordinary share in Cape Lambert Lady Annie.

**Company** means Cape Lambert Resources Limited (ACN 095 047 920).

**Constitution** means the Company's constitution.

**CopperCo** means CopperCo Limited (ABN 95 004 434 904) (In Liquidation) (Receivers and Managers Appointed) and its Relevant Subsidiaries.

**CopperCo Asset Sale Agreement** means the asset sale agreement dated 7 May 2009 between CopperCo, Cape Lambert, Cape Lambert Lady Annie and others pursuant to which, inter alia, Cape Lambert acquired the Lady Annie Project.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Department** means (as appropriate) the Department of Employment, Economic Development and Innovation in Queensland or the Department of Environment and Resource Management or Department of Mines and Energy.

**DERM** mean the Department of Environment and Resource Management previously known as the Environmental Protection Authority.

**Directors** means the current directors of the Company.

**Environmental Incident** means the incidents in January and February 2009 where, as a result of heavy rains falling across the Lady Annie Project site during January and February 2009, there was uncontrolled discharge of a solution into the environment beyond concentrations allowed in Environmental Authority No MIN 100401006.

**EPO** means Environmental Protection Order issued by DERM.

**EPO Obligations** means the obligations:

- (a) under and relating to the:
  - (i) Environmental Protection Order dated 26 February 2009;
  - (ii) revised Environmental Protection Order dated 6 March 2009;
  - (iii) any Notice to Conduct or Commission an Environmental Evaluation to which the revised Environmental Protection Order is updated; and
  - (iv) any other environmental protection order or notice to conduct or commission an environmental evaluation,  
issued by the Department prior to 30 June 2010; and
- (b) under any environmental protection order which is issued on or before 28 September 2010 as a result of a specific matter Lady Annie notifies before 30 June 2010 to:
  - (i) CLLA Exploration, as a matter it reasonably anticipates is likely to become the subject of an environmental protection order; and
  - (ii) the Department,  
in connection with the Environmental Incident.

**Explanatory Statement** means the explanatory statement accompanying the Notice of Meeting.

**General Meeting** means the meeting convened by the Notice of Meeting.

**Independent Expert's Report** means the report annexed to the Explanatory Statement prepared by Stantons International Pty Ltd trading as Stantons International Securities.

**Lady Annie Project** means the Lady Annie Copper Project as described in section 3.3 of the Explanatory Statement.

**Marampa** means Marampa Iron Ore Limited (a company incorporated in Bermuda with registered number 39699).

**Mining Act** means the Mineral Resources Act 1989 of the State of Queensland and or an amendment or statutory replacement of that Act and includes regulations and orders made under that Act.

**Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement.

**Optionholder** means a holder of an Option as the context requires.

**Q Copper** means Q Copper Australia Limited (ABN 58 140 409 454).

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**Share Sale Agreement** means the agreement between the Company, Cape Lambert Lady Annie and Cape Lambert pursuant to which the Company agreed to acquire 100% of the shares in Cape Lambert Lady Annie, a summary of which is contained in Section 3.2.

**Tenements** means the 14 Mining Leases, 29 Exploration Permits and 46 exploration permit applications which comprise the Lady Annie Project.

**WST** means Western Standard Time as observed in Perth, Western Australia.

17 December 2009

The Directors  
Cape Lambert Resources Limited  
18 Oxford Close  
LEEDERVILLE WA 6007

Dear Sirs

**Re: CAPE LAMBERT RESOURCES LIMITED ("CAPE LAMBERT" OR "THE COMPANY") (ABN 71 095 047 920) ON THE PROPOSAL TO ACQUIRE IRON ORE PROSPECTS IN SIERRA LEONE BY ACQUIRING ALL OF THE CLASS A SHARES IN MARAMPA IRON ORE LIMITED. SHAREHOLDER MEETING PURSUANT TO ASX LISTING RULE 10.11**

## **1. Introduction**

- 1.1 We have been requested by the Directors of Cape Lambert to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the proposal whereby Cape Lambert will issue 32,592,789 shares in consideration for the acquisition of 53 Class A Marampa shares to increase Cape Lambert's interest in Marampa Iron Ore Limited ("Marampa") to 100%. Marampa through its effective 100% owned subsidiary Marampa Iron Ore (SL) Limited ("Marampa SL") has interests in iron ore prospects ("Mineral Assets") in Sierra Leone as noted below and in Resolution 1 in the Notice of General Meeting of Shareholders ("the Notice") and Explanatory Statement to Shareholders ("Explanatory Statement") of Cape Lambert to be dated 18 December 2009. For the purposes of this report Marampa and Marampa SL are referred to as the Marampa Group.
- 1.2 In terms of an agreement entered into by Cape Lambert, African Minerals Limited ("AML") and Marampa in November 2009 ("Third Marampa Agreement") it is proposed that Cape Lambert will acquire 100% of the Class A shares in Marampa an unlisted company incorporated in Bermuda that as at 14 December 2009 has two shareholders, Cape Lambert and African Minerals Limited ("AML"). Before entering into the Third Marampa Agreement, Cape Lambert owned 54 Class B shares representing 100% of the Class B shares on issue and approximately 35% of the total issued share capital of Marampa that comprises 100 Class A shares and 54 Class B shares. AML owned all of the 100 Class A shares. Cape Lambert now owns 43 Class A shares as a result of issuing 24,569,934 shares to AML as part of the Third Marampa Agreement (refer below) and AML now owns 57 Class A shares in Marampa. Cape Lambert, in effect, now owns approximately 63% of the total issued capital of Marampa.

The only significant Mineral Asset that the Marampa Group has an interest in is:

- Exploration licence EXPL 09/06 granted by the Government of Sierra Leone and conferring the right to explore for iron ore and other minerals in Sierra Leone. This licence is held in the name of Marampa SL.

Further details on the Mineral Assets owned by Marampa SL are referred to in the report titled "Independent Valuation of the Marampa Iron Project – Sierra Leone" ("Valuation Report") of AI Maynard & Associates Pty Ltd ("Maynard") as referred to in paragraph 1.9 below and the Explanatory Statement attached to the Notice.



For the purpose of this report the acquisition of 43 Class A shares and the proposed acquisition of 57 Class A shares in Marampa to take Cape Lambert's shareholding interest in Marampa to 100% are known as the Marampa Transaction.

It is proposed that Cape Lambert will acquire all of the Class A share capital of Marampa from AML for the consideration of 57,162,723 shares in Cape Lambert ("Issue Shares"). The Third Marampa Agreement specifies that the issue of the 57,162,723 Cape Lambert shares would be conducted in two tranches. Tranche 1 which already taken place was the issue to AML of 24,569,934 shares in Cape Lambert for 43 Class A shares in Marampa (completed on 4 December 2009) to take AML's shareholding interest in Cape Lambert to approximately 15.14% (previously AML had an interest in 11.28%). Tranche 2 is the subject of Resolution 1 and consists of the issue of 32,592,789 Cape Lambert shares to take AML's shareholding interest in Cape Lambert to 19.77%. By acquiring all of the Class A shares in Marampa, Cape Lambert will increase its shareholding interest in Marampa from approximately 35% (pre the Marampa Transaction) to 100% of Marampa and AML will increase its shareholding in Cape Lambert from the initial 11.28% (pre the Marampa Transaction) to approximately 19.77%.

- 1.3 In addition, there are two other resolutions being put to the shareholders. Resolution 2 relates to the ratification of the December 2009 issue of 24,569,934 shares at 54.61 cents each to AML as part consideration under Tranche 1 of the Marampa Transaction. Resolution 3 relates to the approval for the sale by the Company of Cape Lambert Lady Annie Exploration Pty Ltd to Q Copper Australia Limited. We are not reporting on the merits or otherwise of Resolutions 2 and 3 but do note that the passing of Resolution 2 is part of the Marampa Transaction and Resolution 1 cannot be looked at in isolation.
- 1.4 Listing Rule 10.1 of the ASX Listing Rules provides that shareholder approval is required before a listed company may acquire or dispose of a substantial asset to a substantial shareholder where the substantial shareholder and the substantial shareholder's associates have a relevant interest (or had a relevant interest at any times in the 6 months before the relevant transaction) in at least 10% of the total votes attached to the voting securities. An asset is substantial if its value or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the company as set out in the latest accounts given to ASX under the Listing Rules. For the purposes of ASX Listing Rule 10.1, AML is considered to be a substantial shareholder in the Company as it holds 15.14% of the Company's issued capital. The issue of the Tranche 1 shares and the Tranche 2 shares would exceed 5% of the Cape Lambert equity interests as set out in the latest financial accounts given to ASX under the Listing Rules. Cape Lambert issued the Tranche 1 shares which equals just under 5% but requires shareholder approval under ASX Listing Rule 10.1 to issue the Tranche 2 share under the Marampa Transaction.

As noted above it is proposed that Cape Lambert will acquire all of the Class A share capital of Marampa from AML for the consideration of 57,162,723 Cape Lambert shares via two tranches. Tranche 1 being the issue of 24,569,934 shares has already taken place and this increased AM's shareholding interest from approximately 11.28% to approximately 15.14%. The issue of these shares (on 4 December 2009) ensured that the 5% Chapter 10 rule was not exceeded. Tranche 2 will be the issue of 32,592,789 Cape Lambert shares to take AML's shareholding interest in Cape Lambert to 19.77%. By acquiring all of the Class A shares in Marampa, Cape Lambert will end up increasing its shareholding interest in Marampa from approximately 35% to 100%.

AML is a substantial shareholder in Cape Lambert and the Marampa Transaction falls within the ambit of ASX Listing Rule 10.1. An independent expert's report should accompany the Notice of Meeting stating whether the proposal as noted above (the issue of 32,592,789 Cape Lambert shares to AML) is fair and/or reasonable to the shareholders of Cape Lambert not associated with AML. As the issue of the Tranche 1 shares is integral to AML reaching 19.77% of the issued capital of Cape Lambert, our report will also comment on the issue of the 24,569,934 Tranche 1 shares. The Listing Rule requires an Independent Expert's Report as to whether the relevant transaction is fair and reasonable to the non-associated shareholders of Cape Lambert (not associated with AML).

- 1.5 Therefore a notice prepared in relation to a meeting of shareholders convened for the purpose of ASX Listing Rules 10.1 must be accompanied by an Independent Expert's Report stating whether the Marampa Transaction noted under Resolution 1 is fair and reasonable. To assist shareholders in making a decision on the Marampa Transaction, the directors have requested that Stantons International Securities prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Marampa Transaction (that includes the issue of two tranches of shares to AML) is fair and reasonable to the non-associated shareholders of Cape Lambert (not associated with AML).
- 1.6 Apart from this introduction, this report considers the following:
- Summary of opinion
  - Implications of the proposals
  - Corporate history and nature of business of Cape Lambert and Marampa
  - Future direction of Cape Lambert
  - Basis of valuation of Cape Lambert shares
  - Value of consideration
  - Basis of valuation of Marampa
  - Conclusion as to fairness
  - Reasonableness of the offer
  - Conclusion as to reasonableness
  - Sources of information
  - Appendix A and Financial Services Guide
- 1.7 In determining the fairness and reasonableness of the acquisition of the remaining Class A shares of Marampa whose Mineral Assets are interests in an iron ore exploration project in Sierra Leone (held by Marampa's subsidiary, Marampa SL), we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair. An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.
- 1.8 **In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 9 of this report, the proposals as outlined in paragraph 1.2 and Resolution 1 may on balance be considered to be fair and reasonable.**
- 1.9 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report, including the 16 December 2009 Valuation Report on the Mineral Assets owned by Marampa prepared by Maynard, a copy of which is attached as an Appendix to this report.
2. **Implications of the Proposals**
- 2.1 As at 16 December 2009, there were 565,166,467 ordinary fully paid shares on issue in Cape Lambert. The significant fully paid shareholders as at 14 December 2009 are believed to be:

Shareholder	No. of fully paid shares	% of issued fully paid shares
African Minerals Limited (AML)	85,569,934	15.14
HSBC Custody Nominees (Australia) Limited	76,794,304	13.59
J P Morgan Nominees Australia Limited	38,434,854	6.80
Antony William Paul Sage <Egas Super Fund A/C>	28,516,545	5.05
HSBC Custody Nominees (Australia) Limited – GSCO ECA	19,424,315	3.44
ANZ Nominees Limited <Cash Income A/C>	17,115,898	3.03
HSBC Custody Nominees (Australia) Limited – A/C No 3	15,790,304	2.79
Citicorp Nominees Pty Limited	14,642,946	2.59
National Nominees Limited	10,687,840	1.89
HSBC Custody Nominees (Australia) Limited - A/C 2	8,320,461	1.47
	<u>315,297,401</u>	<u>55.79</u>

The top 20 shareholders at 14 December 2009 owned approximately 62.29% of the ordinary issued capital of the Company. AML owns 85,569,934 shares comprising the initial 61,000,000 shares at the date of entering into the Marampa Transaction together with the 24,569,934 Tranche 1 shares issued on 4 December 2009. This represents an approximate 15.14% shareholding interest in Cape Lambert as at 16 December 2009.

2.2 In addition Cape Lambert has on issue the following share options (“Cape Lambert Options”) on issue as at 16 December 2009:

- 28,000,000 options with an exercise price of 30.9 cents each and expiry date of 31 October 2010.
- 8,350,000 options with an exercise price of 43.2 cents each and expiry date of 30 June 2010.

Each of the Cape Lambert Options may convert into one Cape Lambert ordinary share provided that the Option holder exercises their right on or by the expiry date.

2.3 If the Marampa Transaction is completed, AML would increase its ordinary shareholding interest from 61,000,000 ordinary shares (held before the issue of 24,569,934 Tranche 1 shares) to 118,162,723 ordinary shares (including the Tranche 1 and 2 shares) representing an approximate 19.77% interest in the expanded capital of the Company (before the exercise of any share options).

The movement in the issued capital of the Company would be:

	Number
Shares on issue at 30 November 2009	540,596,533
Issue of Tranche 1 shares to AML on 4 December 2009	<u>24,569,934</u>
Shares on issue as at 16 December 2009	565,166,467
Issue of Tranche 2 shares to AML	<u>32,592,789</u>
<b>Shares on issue post the Marampa Transaction</b>	<b>597,759,256</b>
Potential issue of further shares	
Exercise of the existing 43.2 cent share options	8,350,000
Exercise of the existing 30.9 cent share options	<u>28,000,000</u>
<b>Potential shares on issue</b>	<b><u>634,109,256</u></b>

2.3 The current Board of Directors is not expected to change in the near future as a result of the Marampa Transaction. However new Board members may be appointed in the future as needs dictate.

2.4 Marampa will become a wholly owned subsidiary of Cape Lambert (along with Marampa's subsidiaries as noted below).

### 3. Corporate History and Nature of Business

Cape Lambert

#### 3.1 Principal Activities

Cape Lambert is an ASX listed mineral investment, exploration and development company. It has interests in a geographically diverse portfolio of mineral projects and investments in several exploration and mining companies. The primary mineral commodities comprise iron ore, copper, gold, phosphate, uranium and lead-silver-zinc. The Company's business model and strategy is to invest in early stage resource projects and companies that are considered undervalued and/or distressed and add value through a "hands on" approach and position the assets for either development and/or sale.

#### 3.2 Mineral Assets

The following list outlines the major projects which Cape Lambert has interests in or is in the process of acquiring.

- **Lady Annie Project** located near Mount Isa, Queensland, Australia. Cape Lambert currently holds 100% interest in the project through its wholly owned subsidiary, Cape Lambert Lady Annie Exploration Pty Ltd ("CLLAE"). Cape Lambert has entered into a Share Sale Agreement with Q Copper Australia Limited ("Q Copper") whereby Q Copper will acquire 100% of the issued shares of CLLAE provided, amongst other things, the minimum subscription under the Q Copper Prospectus is achieved and conditional approval to list Q Copper on ASX is obtained. Cape Lambert will retain an interest of between 10% and 15% in Q Copper. Refer to Resolution 3 in the Notice for further details.
- **Sappes Gold Project** located in North Eastern Greece. Cape Lambert owns 100% of this project;
- **Lady Loretta Zinc Project** located near Mount Isa, Queensland Australia. Cape Lambert holds a 25% interest in the project;
- **Australis Phosphate Project** located in the Northern Territory and Queensland, Australia. Cape Lambert owns 100% of this project;
- **Cape Lambert South Iron Ore Project** located in the Pilbara region of Western Australia. It is 100% owned by Cape Lambert;
- **Leichhardt Copper Project** located near Mt Isa, Queensland. Cape Lambert will own 100% of the project, subject to satisfaction of a number of conditions precedent);
- A 37.36% interest in **NiPlats Australia Limited**, a mining and exploration company with primary focus in developing its vanadium, platinum and fluorite discoveries; and
- **Other Investments** – includes various holdings in other ASX, TSX and AIM listed entities.

##### 3.2.1 Marampa Iron Ore Project

An approximate 35% interest in the Marampa Iron Ore Project was acquired by Cape Lambert in two tranches in October 2008 and January 2009. Under the terms of the First Marampa Agreement entered into in October 2008, Cape Lambert issued 44 million of its shares to AML for an approximate 30% interest and committed to invest US\$25 million towards funding a definitive feasibility study. The Company was also granted the exclusive option to acquire 100% of the Marampa project from AML at a price of US\$200 million less the aggregate of US\$25 million and the value of the 44 million Cape Lambert shares (US\$13.1 million). The Company had the right to withdraw from the feasibility study funding upon expending an initial US\$5 million and if it exercised this right it would retain a pro rata interest in Marampa.

Under the terms of the Second Marampa Agreement entered into in January 2009, Cape Lambert increased its investment to approximately 35% through the issue of a further 17,000,000 shares with a deemed value of US\$3,391,676. The option to acquire 100% of the Marampa Project as set out in the First Marampa Agreement remained in force, except

that the consideration payable was reduced by the value of 17 million Cape Lambert shares (refer paragraph 9.17 below).

#### Marampa

- 3.3 Marampa was incorporated in Bermuda on 5 March 2007 and is now approximately 63% owned by Cape Lambert and 37% owned by AML. Marampa has a 99.99% owned subsidiary, Marampa Iron Ore SL Limited which was incorporated in Sierra Leone on 9 May 2007 and is the owner of the Marampa Iron Ore Project in Sierra Leone. Marampa has an option to acquire the 0.01% shareholding for one thousand Leone and thus is an effective 100% owned subsidiary.
- 3.4 The Marampa Project is a brownfields iron ore exploration project located in Sierra Leone, West Africa and is defined by Exploration Licence 09/06 which covers an area of approximately 315 square kms. The Marampa area is connected to an existing deep water port, ship loader and stockpile area at Pepel by approximately 80km of rail infrastructure. Through an existing memorandum of understanding between AML and the Government of Sierra Leone, AML has the right to access and operate the existing rail and port infrastructure. This infrastructure requires some refurbishment and upgrading.
- 3.5 A summary on Marampa and its assets are noted in section 1.2 of this report, and we refer to the Valuation Report by Maynard (on Marampa's mineral assets) and the Explanatory Statement for more detailed information on Marampa and its assets.
- 3.6 A summary unaudited balance sheet of the Marampa Group as at 31 October 2009 is noted elsewhere in this report.

#### 4. Future Directions of Cape Lambert

- 4.1 We have been advised by the directors and management of Cape Lambert that:
- There are no proposals currently contemplated either whereby Cape Lambert will acquire any further properties or assets from AML (however Cape Lambert will issue ordinary shares to AML as outlined above in relation to the Marampa Transaction) or where Cape Lambert would transfer any of its property or assets to AML;
  - The composition of the Board will not change in the short term as noted above;
  - The Company may seek to raise further working capital;
  - No dividend policy has been set however a special partially franked dividend is proposed to be paid in early 2010 of 10 cents per share; and
  - The Company will endeavour to enhance the value of its interests in its existing mineral assets and the Mineral Assets to be acquired under the Marampa Transaction.

#### 5. Basis of Valuation of Cape Lambert Shares

##### 5.1 Shares

- 5.1.1 In considering the proposals to acquire Marampa, we have sought to determine if the consideration payable by Cape Lambert to AML is fair and reasonable to the existing non-associated shareholders of Cape Lambert.
- 5.1.2 The offer would be fair to the existing non-associated shareholders if the value of the 100 Class A shares in Marampa representing an approximate 65% interest in Marampa being acquired by Cape Lambert is greater than the implicit value of the shares in Cape Lambert being offered as consideration. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on Cape Lambert shares for the purposes of this report.
- 5.1.3 The valuation methodologies we have considered in determining a theoretical value of a Cape Lambert share (and also a Marampa share) are:
- Capitalised maintainable earnings/discounted cash flow;
  - Takeover bid - the price at which an alternative acquirer might be willing to offer;



- Adjusted net asset backing and windup value; and
  - The market price of Cape Lambert shares.
- 5.2 Capitalised maintainable earnings and discounted cash flows.
- 5.2.1 Due to Cape Lambert's current operations, a lack of a reliable long term profit history arising from business undertakings and the lack of a reliable future cash flow from current business activities, we have considered these methods of valuation not to be relevant for the purpose of this report. Cape Lambert made a profit for the year ended 30 June 2009, however profits are not consistent and future profits will depend on maximising the Cape Lambert Group's assets and other assets it may acquire in the future.
- 5.3 Takeover Bid
- 5.3.1 It is possible that a potential bidder for Cape Lambert could purchase all or part of the existing shares, however no certainty can be attached to this occurrence. To our knowledge, there are no current bids in the market place and the directors of Cape Lambert have formed the view that there is unlikely to be any takeover bids made for Cape Lambert in the immediate future. However, if the agreement to acquire Marampa is consummated, AML will control approximately 19.77% of the expanded ordinary issued capital of Cape Lambert.
- 5.4 Adjusted Net Asset Backing
- 5.4.1 Cape Lambert's audited consolidated net assets as at 30 June 2009 amount to \$268,890,597. Since the date of the last audit, 30 June 2009, Cape Lambert has embarked upon a number of significant transactions. We set out below an unaudited adjusted consolidated balance sheet of Cape Lambert (Balance Sheet "A") as at 30 September 2009, adjusted for estimated administration and other costs for the period 1 October 2009 to 31 January 2010 of \$5,371,000 and significant transactions including the following (but excluding the Marampa transaction):
- the disposal of the Cape Lambert Lady Annie Project via the Q Copper initial public offering ("IPO") for \$108,500,000 in cash and 29,000,000 shares in Q Copper at \$1 each and the payment of \$5,475,000 in IPO costs assuming the minimum subscription is reached (the cash received and number of shares acquired will change if more than the minimum subscription is achieved);
  - the acquisition of various listed securities for \$1,300,000;
  - the disposal of various securities for \$3,165,000;
  - the acquisition of mineral assets from Matrix Metals for \$8,500,000, announced to the market on 16 November 2009 of which \$1,000,000 has been paid and \$7,500,000 included in payables;
  - the issue of 3,976,729 Cape Lambert shares at an issue price of 54 cents for the acquisition of tenements from Mojo Mining;
  - the increase in fair value of \$12,300,000 as at 12 November 2009 of 30,000,000 NiPlats shares held;
  - additional cash funding of \$1,092,000 provided to the Marampa Group;
  - the allocation of shares to employees as share based payments valued at \$3,498,000; and
  - the reallocation of cash funds from restricted cash to cash and cash equivalents on the release of certain receivers guarantees.

We also set out below an unaudited pro-forma consolidated balance sheet of Cape Lambert (Balance Sheet "B") as at 30 September 2009, adjusted for estimated administration and other costs for the period 1 October 2009 to 31 January 2010 of \$5,371,000, the significant transactions noted above under Balance Sheet "A" and including the consolidated pro-forma Marampa financial statements at 31 October 2009 following the Marampa Transaction which included the following transactions;

- The acquisition of 100% of the issued Class A shares of Marampa by way of an issue of two tranches of shares being 24,569,934 Tranche 1 shares at a deemed 5 day VWAP pre announcement share price of 54.61 cents per share (deemed value

\$13,417,641) and 32,592,789 Tranche 2 shares (still to be issued) at a deemed value of \$17,788,922 also based on a deemed price per share of 54.61 cents. Based on the closing share price of 54.5 cents on the day immediately prior to the date the Tranche 1 shares were issued, the deemed value of Tranche 1 shares would be \$13,390,614;

- The payment of an estimated \$100,000 for exploration costs to 31 January 2010 by the Marampa Group; and
- The payment of an estimated \$150,000 of costs to 31 January 2010 relating to the Marampa Transaction.

	Unaudited Adjusted 30 September 2009 \$000 "A"	Unaudited Pro-forma 30 September 2009 (including consolidation of Marampa) \$000 "B"	Unaudited consolidated Marampa 31 October 2009 \$000
<b>Current Assets</b>			
Cash assets (including			
Restricted Cash)	145,800	146,230	580
Trade and Other Receivables	7,139	7,151	12
Inventories	-	-	-
<b>Total Current Assets</b>	<b>152,939</b>	<b>153,381</b>	<b>592</b>
<b>Non Current Assets</b>			
Trade and Other Receivables	17,902	18,077	175
Financial Assets	102,649	102,649	-
Investment in Marampa	28,783	-	-
Restricted Cash	13,548	13,548	-
Property, Plant and Equipment	665	1,024	359
Exploration and Other Mineral			
Assets	91,025	153,907	7,217
Investment in Associates	36,064	36,064	-
Deferred Tax Asset	21,585	21,585	-
<b>Total Non Current Assets</b>	<b>312,221</b>	<b>345,954</b>	<b>7,751</b>
<b>Total Assets</b>	<b>465,160</b>	<b>499,335</b>	<b>8,343</b>
<b>Current Liabilities</b>			
Trade and Other Payables	29,074	29,419	345
Deferred Income	37	37	-
Income Tax	24,432	24,432	-
Provisions	5	5	-
<b>Total Current Liabilities</b>	<b>53,548</b>	<b>53,893</b>	<b>345</b>
<b>Non Current Liabilities</b>			
Loans from related parties	-	2,388	2,388
Deferred Tax Liability	41,736	42,060	324
Provisions	-	51	51
<b>Total Non Current Liabilities</b>	<b>41,736</b>	<b>44,499</b>	<b>2,763</b>
<b>Total Liabilities</b>	<b>95,284</b>	<b>98,392</b>	<b>3,108</b>
<b>Net Assets</b>	<b>369,876</b>	<b>400,943</b>	<b>5,235</b>
<b>Equity</b>			
Issued Capital	134,574	165,791	5,608
Reserves	4,391	4,391	-
Foreign Currency Translation			
Reserve	(19,019)	(19,019)	-
Retained (Profits)/Losses	249,930	249,780	(373)
<b>Total Equity</b>	<b>369,876</b>	<b>400,943</b>	<b>5,235</b>

The net asset (book value) backing per fully paid (pre acquisition of Marampa) ordinary Cape Lambert share as at 30 September 2009 based on the unaudited adjusted consolidated balance sheet (Balance Sheet "A") and 540,596,533 ordinary shares on issue is approximately 68.4 cents per ordinary share. The above adjusted balance sheet recognises an approximate unaudited profit of \$111.292 million for the seven month period ended 31 January 2010 as well as the disposal of the Lady Annie Assets, the acquisition of

a 15% interest in Q Copper Australia and various other significant transactions as noted above. The above pro-forma balance sheet does not take into account the payment of dividends (if any) to ordinary shareholders of Cape Lambert and has been prepared on the basis that the acquisition of Marampa is not considered a business combination for accounting purposes under the accounting standard AASB 3R "Business Combinations"

- 5.4.2 Based on the unaudited pro-forma net asset book values, this equates to a value per fully paid ordinary share post the Marampa Transaction and Issue of Tranche 1 and 2 shares (597,759,256 ordinary shares on issue) of approximately 67 cents per share (ignoring the value, if any, of non-booked tax benefits).
- 5.4.3 We have accepted the amounts as disclosed for all current assets and non current assets. We have been assured by the management of Cape Lambert that they believe the carrying value of all current assets, fixed assets and liabilities at 30 September 2009 (as adjusted as noted above) are fair and not materially misstated.
- 5.4.4 We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between Cape Lambert and other parties. We also note it is not the present intention of the Directors of Cape Lambert to liquidate the Company and therefore any theoretical value based upon wind up value or even net book value (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in Cape Lambert based on the market perceptions of what the market considers a Cape Lambert share to be worth.

The market has either generally valued the vast majority of mineral exploration companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for Cape Lambert shares and the market is kept fully informed of the activities of the Company. Furthermore, for accounting purposes under Australian Equivalents to International Financial Reporting Standards ("IFRS"), the consideration (in the form of Cape Lambert shares to acquire 100% of Marampa) will be booked at the fair value of Marampa (in effect mainly the fair value of the Mineral Assets of Marampa) or at the share price of the Cape Lambert shares at the date of acquisition and not any perceived technical value. Accordingly, for these reasons we believe that for the purpose of this report, it is not appropriate to use any technical value of a Cape Lambert share in assessing whether the proposal to acquire Marampa is fair and reasonable. We believe a pre-announcement market-based approach is a more suitable basis of assessing whether the proposed Marampa Transaction is fair and/or reasonable. In the case of the Marampa Transaction, the pre announcement price has been taken as prior to 25 November 2009.

## 5.5 Financial Performance

Cape Lambert's audited consolidated financial result for the year ended 30 June 2009 amounts to a profit after tax of \$229,009,330. In comparison, the result for the year ended 30 June 2008 (audited) amounted to a profit of \$2,179,472. The predominant reason for this large spike in profit is the one-off sale of the Cape Lambert Magnetite Iron Ore project for \$400,000,000 (of which \$320,000,000 has been received and booked) to the China Metallurgical Group Corporation ("MCC"). Cape Lambert posted a loss of \$3,945,284 for the year ended 30 June 2007. In view of the nature of Cape Lambert's business activities, the profitability of the Cape Lambert group can fluctuate significantly from year to year

## 5.6 Market Price of Cape Lambert Fully Paid Ordinary Shares

We have identified that the quoted market price valuation method for a share in Cape Lambert is the most appropriate valuation method for the purposes of this report.

Market value is the price per share as quoted on the ASX. The share market price would, prima facie constitute the market value of the shares of a publicly traded company. The share price quoted on the ASX reflects the markets' assessment of all of the information available on the relevant company, the industry and the general economic environment in which the companies trade. The share price is, in most circumstances, a reliable indicator of the realisable value of a minority holding or a relatively small parcel of shares and does not always reflect the market value offering control of the acquirer. In the circumstances



where interests in mineral assets are under question, we believe that share prices as quoted on the ASX is acceptable in determining the value of a Cape Lambert share.

We have not considered the capitalised maintainable earnings and DCF methods as appropriate to value a share of Cape Lambert due to the nature of Cape Lambert's business model and its activities and the massive fluctuations in profitability arising from its business undertakings in prior years and potentially in the current and future years. The principal assets of Cape Lambert lie in interests or potential interests in mineral exploration and mining projects and investments. The mineral assets have limited lives and future profitability depends on the outcome of exploration programs that are not predictable. It is only in the financial year ended 30 June 2009 that the Company has managed to realise a significant profit on the sale of assets. Furthermore, due to the lack of reliable future cash flows forecasts from current business activities, it was considered that these valuation methods are not appropriate in the circumstances.

We have not considered independent valuations of the mineral project interests of Cape Lambert to be necessary. However we do offer brief comments on the projects and book asset valuations elsewhere in this report. All projects arguably have significant value if commercial arrangements can be finalised.

#### 5.7 Quoted Market Basis – Cape Lambert Share Price

Share prices in Cape Lambert as recorded on the ASX since 1 January 2009 up to and including 7 December 2009 (the shares were suspended on 7 December 2009) have been as follows:

	High Cents	Low Cents	Volume Weighted Average Closing Price Cents	Volume 000's
January 2009	31.5	23.0	27.9	24,890
February 2009	28.0	24.0	26.5	8,692
March 2009	28.0	22.0	25.2	13,938
April 2009	27.0	24.5	25.6	12,028
May 2009	34.5	24.5	31.8	37,552
June 2009	37.0	30.0	34.8	79,783
July 2009	36.0	32.0	34.2	71,382
August 2009	45.5	35.5	38.4	228,087
September 2009	50.5	39.5	45.3	83,348
October 2009	53.5	43.5	49.6	92,336
November 2009 (to 24 November)	57.5	44.0	51.9	62,860
November 2009 (25 November to 30 November)	56.5	50.5	52.0	10,173
December 2009 ( to 7 December 2009)	56.5	51.5	54.1	11,454

The value of a Cape Lambert share between 1 January 2009 and up to and including 7 December 2009 (date shares were suspended from trading) ranged from a low of 22 cents per share to a high of 57.5 cents per share. This represents volatility of approximately 161% over the approximate 11 month period and the combined volume weighted average closing sale price is 40.1 cents per Cape Lambert share (to 7 December 2009). The total number of shares traded over the January 2009 to 7 December 2009 period totalled 736,523,739 and this represented roughly 130.3% of the issued capital of Cape Lambert as at 7 December 2009. This indicates a reasonable level of liquidity in the shares of Cape Lambert.

For the period from 1 January 2009 and up to and including 24 November 2009, (the Marampa Transaction was announced to the ASX on the morning of 25 November 2009) the price of a Cape Lambert share varied between 22 cents and 57.5 cents per share

(closing at 57 cents on 24 November 2009). The Cape Lambert share price experienced a notable decrease the day following the announcement by Cape Lambert of the Marampa Transaction to increase its stake in Marampa from approximately 35% to 100%. The closing share price on 24 November 2009 amounted to 57 cents per ordinary Cape Lambert share and following the announcement of the acquisition of the remaining approximate 65% interest in Marampa on 25 November 2009, the share price closed on that day at 54 cents per ordinary share, a decrease of approximately 5.3%. Whilst it is difficult to assess how much of this decrease in share price can be attributed to the proposed acquisition of a further interest in Marampa, nonetheless the acquisition of the majority shareholding in Marampa may have had an influence on the decrease in the share price. Cape Lambert has recently announced the proposed listing of Q Copper Australia Limited and various other acquisitions which may also have impacted the share price together with the general movement in the share market.

In the period from 1 November 2009 and up to the date of the announcement by Cape Lambert of the proposed Marampa Transaction on 25 November 2009, the Cape Lambert share price ranged from a low of 44 cents on 3 November 2009 to a high of 57.5 cents per share with a steady increase over that period.

The price per Cape Lambert share post announcement of the Marampa Transaction on 25 November 2009 and up to and including 7 December 2009, oscillated from between 50.5 cents to a high of 56.5 cents per share. The closing price on 7 December 2009 was 53 cents. The shares in Cape Lambert were requoted on 15 December 2009 and between 15 December and close of business on 16 December 2009, the shares traded on ASX between 45.5 cents and 50 cents. On 15 December 2009, the Company announced alterations to the Q Copper IPO (reduced cash flow to the Cape Lambert Group if the IPO is successful) and the reduced share price on those 2 days arguably reflected the effect on the restructuring of the Q Copper IPO.

It should be noted that over the January 2009 to 30 November 2009 period, Cape Lambert issued 17,000,000 shares as consideration for the acquisition of a further 5% of Marampa. In addition, Cape Lambert has made a number of announcements relating to the acquisition of new investments (eg DMC Mining Limited, Takeover bid for Corvette) and the issue of the Q Copper Australia prospectus. Other than the announcement of the purchase of the CopperCo assets on 8 May 2009 when the share price increased approximately 23%, no single announcement has had a significant impact upon the share price of Cape Lambert (movement in excess of 15% on the previous days' last sale price). The share price of Cape Lambert has shown a steady increase over the year to 24 November 2009.

## 5.8 Conclusion on the Value of Cape Lambert Shares

Having considered the pre and post announcement pricing of the Cape Lambert shares in Section 5.7, it is our view that a fair indicative range for a Cape Lambert share is between 48 cents and 57 cents per share based upon trading activity in the period 1 October 2009 to 24 November 2009 and in particular the trading post the release of the annual report on 30 September 2009 and the lodgement of the Q Copper Australia prospectus on 16 November 2009. Given that this period experienced a reasonable volume of Cape Lambert share transactions, it is likely to be a good indicator of the true value of a Cape Lambert share on an open market (ASX). The volume weighted average last sale price for the period from 1 November 2009 and up to 24 November 2009 is 51.9 cents per share. Thus it is considered appropriate to use a range of 48 cents to 57 cents per Cape Lambert share, with a preferred value (pre the announcement of the Marampa Transaction) of 55.8 cents per share.

**6. Value of Consideration**

6.1 Based on pre announcement share prices the consideration range would be:

	Low \$000's	Preferred \$000's	High \$000's
57,162,723 Shares at pre- announcement prices	27,438	31,896	32,583
Share price assumed to be (cents)	48.0	55.8	57.0
	Low \$000's	Mid \$000's	High \$000's
If the post announcement share prices are used (after 24 November 2009), the consideration would be:			
57,162,723 Shares	26,009	29,153	32,296
Share price assumed to be (cents)	45.5	51.0	56.5

If we used the range of fair values pre 25 November 2009, the consideration for the shares would lie in the range of \$27,438,000 and \$32,583,000. It is noted that at the time of negotiation of the Marampa Transaction, the Cape Lambert directors agreed with the directors of AML and Marampa to allocate a price of 54.61 cents per Cape Lambert share being the VWAP for the last 5 trading days before execution of the Third Marampa Agreement on 24 November 2009. The Cape Lambert Directors considered the value of the consideration to be approximately \$31,216,563 based on the issue of 57,162,723 Cape Lambert shares.

**7. Basis of Valuation of Marampa (and interests in the Mineral Assets of Marampa SL)**

- 7.1 The usual approach to the valuation of an asset is to seek to determine what an informed, willing but not anxious buyer would pay to an informed, willing but not anxious seller in an open market.
- 7.2 Marampa is an unlisted public company and therefore valuing the shares on a takeover basis and on a market based approach are not that relevant. There are no indications that other parties wished to acquire all of the shares in Marampa other than Cape Lambert. Marampa was initially formed in 2007 with the objective to obtain a suite of mineral assets (that it has and are more fully described in the valuation report referred to below) and prepare an IPO and achieve a listing on the AIM. The shareholders in Marampa do not have an active market to trade their shares.
- 7.3 The Company in conjunction with Stantons International Securities has commissioned Maynard (authors of the Valuation Report are Allen J Maynard and Brian J Varndell) to prepare a Valuation Report of the Mineral Assets owned by Marampa. The Valuation Report of Maynard dated 16 December 2009 should be read in its entirety and a full copy of the Valuation Report is attached as an Appendix to this report. The Valuation Report ascribes a range of values to the interests to the Mineral Assets and for the purposes of our report we have used the low, high and mid range valuations referred to in the Maynard Valuation Report.
- 7.4 As the only significant asset of the Marampa Group is its interest in the Mineral Assets the most suitable methodology is to value the shares in Marampa on an asset backing basis using fair values for the assets.
- 7.5 We have used and relied on the Maynard Report on the Mineral Assets and have satisfied ourselves that:
- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of mineral projects and preparing mineral asset valuations. Messrs Al J Maynard and Brian J Varndell are suitably qualified and experienced in undertaking valuations of mineral assets;

- Maynard is independent from Cape Lambert and Marampa and Marampa SL; and
- Maynard has employed sound and recognised methodologies in the preparation of the valuation report on the Mineral Assets.

7.6 Maynard has provided a range of market values of the interests in the Mineral Assets as follows:

	Low \$000's	Preferred \$000's	High \$000's
All Mineral Assets	<u>35,000</u>	<u>184,000</u>	<u>504,000</u>

7.7 The adjusted (to reflect estimated exploration costs totalling approximately \$100,000 to January 2010) unaudited consolidated balance sheet of Marampa at 31 October 2009 is disclosed under paragraph 5.4.1 above. This balance sheet shows the Marampa net assets carried at a book value of \$5,235,000 with the exploration and evaluation expenditure carried at a book value of \$7,217,000.

Using the fair values of the Mineral Assets ascribed by Maynard (being \$35,000,000 to \$504,000,000 with a preferred fair value of \$184,000,000) instead of the balance sheet figure of \$7,217,000, the net fair value of Marampa (consolidated) is expected to lie in the range of \$33,018,000 and \$502,018,000 with a preferred fair value of \$182,018,000.

7.8 As noted under paragraph 3.2.1 Cape Lambert acquired 35% of Marampa for the issue of 61,000,000 shares for a total of US\$41,561,942 comprising the deemed value of US\$16,561,942 for 61,000,000 Cape Lambert shares issued and a commitment to spend US\$25,000,000 to fund a definitive feasibility study. In terms of the First Marampa Agreement a minimum US\$5,000,000 had to be spent before Cape Lambert had the option not to continue with the feasibility study. Any reduction in funding the remaining US\$20,000,000 would result in a pro rata decrease in Cape Lambert's interest in the project. As at the date of signing the Third Marampa Agreement in November 2009, Cape Lambert had spent approximately US\$5,667,308 (which includes the minimum US\$5,000,000 spend). If Cape Lambert exercises its right to withdraw from the transaction having spent the minimum US\$5,000,000, it would retain a pro rata interest. The pro rata interest based on funds spent to date of US\$5,667,308 arguably results in an effective interest of 18.75%.

7.9 Assuming that the amounts spent to date on the acquisition of US\$22,229,250 represents 18.75% of the project, then it could be argued that a 100% interest would be equivalent to US\$118,545,185 and a 65% interest equivalent to US\$77,054,370. The Australian dollar equivalent at an exchange rate of 1AUD=USD0.915 would be \$129,557,579 and \$84,212,426 respectively.

7.10 On this basis, the value of 65% of the Marampa assets would be \$84,212,426 which is substantially higher than the value attributed to the 57,162,723 shares to be issued to acquire the 65% interest in the issued share capital of Marampa. This basis assumes that the underlying values attributed to the Marampa project when Cape Lambert entered into the First and Second Marampa Agreements in October 2008 and January 2009 were fair and reasonable. Considering that exchange rates and iron ore prices have fluctuated significantly since then, the values of the underlying project may have changed significantly and therefore whilst this basis is indicative it is not the primary basis used by us for the valuation of the project.

7.11 We have been informed by Cape Lambert management that all necessary due diligence has been undertaken on the ownership interests of Marampa, Marampa's interest in its subsidiary and as to ownership of the Mineral Assets of Marampa SL. We have relied on the due diligence undertaken by Cape Lambert management and advise that we have not undertaken any further steps to ascertain ownership of the Mineral Assets.

## 8. Conclusion as to Fairness

- 8.1 The proposal to acquire the shares in Marampa that has as its only significant asset the Mineral Assets for the consideration noted in paragraph 6.1 is believed to be fair to Cape Lambert's non-associated shareholders if the value of the consideration offered is equal to or less than the value of the shares in Marampa being acquired.
- 8.2 Due to the nature of the business of Marampa, valuations are dependent upon the value placed on the mineral interests of Marampa. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.
- 8.3 We have examined below the values attributable to the shares proposed to be issued and the value of the consideration offered by Cape Lambert to the Vendors.

	Low \$000's	Preferred \$000's	High \$000's
Assessed value of Marampa based on independent valuation of Mineral Assets (rounded)	33,018	182,018	502,018
Value of consideration payable by Cape Lambert using a pre-announcement market based approach (refer below)	27,438	31,896	32,582

The actual consideration to the Vendors is 57,162,723 shares with a pre 25 November 2009 value of say 55.8 cents per share for a consideration of \$31,896,000. As noted above, the shares in the Company have traded post the 25 November 2009 announcement at between 45.5 cents and 56.5 cents (closing sale price on 16 December 2009 at 48.5 cents). If these prices were ascribed to the 57,162,723 ordinary shares, the deemed acquisition cost of the Marampa Transaction would lie in the range of \$26,090,000 to \$32,296,000.

- 8.4 **On a pre-announcement market value approach, the proposed acquisition of Tranche 2 of the Marampa shares (in effect acquiring a further interest in Mineral Assets) by way of the issue of 32,592,789 Shares as outlined in Resolution 1 to the Notice is considered on balance to be fair.**

## 9. Reasonableness of the Offer (Marampa Transaction)

- 9.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Marampa Transaction.

### Advantages

- 9.2 The Marampa Transaction as noted above is considered fair. The Company increases its exposure to iron ore assets and spreads the risk in case the existing gold, phosphate, copper, uranium and lead-silver-zinc mineral assets owned by Cape Lambert are not commercially successful. The Marampa Transaction if successful could lead to potential iron ore operations or the ability for Cape Lambert to on-sell or farm-out the Mineral Assets to another mining company at a profit.
- 9.3 The Company may be better placed to raise further funds by way of share equity as a result of acquiring the Mineral Assets (via acquiring all of the shares in Marampa).
- 9.4 Prior to the acquisition of the 43 Class A shares in Marampa through the issue of the Tranche 1 shares, the Company had an approximate 35% interest in Marampa. After the issue of the Tranche 1 shares this increased to 63% and if the issue of the Tranche 2 shares is approved by the shareholders, the Company will obtain a 100% interest. By having a 100% interest in Marampa, this provides the Company with more flexibility in deciding how to best maximise the potential of Marampa as it would not be constrained by



minority interests that may have different interests and plans or may not have the ability to fund their share of the expenditure.

- 9.5 On an asset backing approach, the total consideration of \$39,099,302 for all of the 100 Class A shares in Marampa (based on a pre Marampa Transaction net asset book value per Cape Lambert share of 68.4 cents as noted in paragraph 5.4.1) and 57,162,723 shares being issued to AML is below the consideration to be received and below the market value (pre announcement of the Marampa Transaction) approach.
- 9.6 Maynard has ascribed a range of values to the Mineral Assets of Marampa that is in excess of the consideration payable on a pre-announcement basis.
- 9.7 There is an incentive to Cape Lambert and AML, to successfully exploit the Marampa iron ore project as Cape Lambert will own 100% of the project and AML will have a significant interest in Cape Lambert.
- 9.8 In addition to the current approximate 63% interest in Marampa following the issue of the Tranche 1 shares, the Cape Lambert Group currently has only two other iron ore areas of interest (Mayoko Iron Ore Project and the Cape Lambert South Project). Should these projects prove not to be commercially viable, diversification into the iron ore project in Sierra Leone by acquiring 100% of Marampa may reduce the risk (but at the same time Cape Lambert is taking on potentially significant exploration and development commitments).
- 9.9 The chances of the 8,350,000 share options exercisable at 43.2 cents on or before 30 June 2010 and the 28,000,000 share options exercisable at 30.9 cents each on or before 31 October 2010 may be enhanced if further exploration activities prove to be successful.

#### **Disadvantages**

- 9.10 Currently, AML owns 85,569,934 shares in the Company (15.14% after the issue of the Tranche 1 shares) and if Resolution 1 is passed, AML will increase its shareholding interest in Cape Lambert to approximately 19.77% (before the exercise of any options and issue of any other shares). AML is paying a premium for control in that they are receiving consideration post the 25 November 2009 announcement of between \$26,009,000 and \$32,296,000 (refer paragraph 6.1) but is giving up shares in Marampa (that in effect has mineral assets) deemed to be currently valued at between \$33,018,000 and \$502,018,000 (preferred value \$182,018,000) (refer paragraph 8.3 above) after taking into account the Valuation Report of Maynard on the Mineral Assets. AML is a foreign company and some shareholders may not be comfortable with allowing an approximate 19.77% shareholding to be in the hands of a foreign incorporated company that may be controlled by a small number of significant individuals. AML's shareholding may decrease the Company's takeover optionality.
- 9.11 Cape Lambert may need to raise further significant working capital to spend on exploration and evaluation of the Mineral Assets although cash reserves currently are reasonable. According to the 2009/2010 Marampa cash flow budget, it is estimated that during the nine month period from January 2010 to September 2010 expenditure on the Marampa Iron Ore Project will approximate US\$11,675,000. It should be noted that under the First Marampa Agreement as part of its acquisition of the initial approximate 30% interest in Marampa, Cape Lambert had agreed to fund Marampa US\$25,000,000 toward a Feasibility Study. Should the project proceed to development significant additional capital would need to be raised which would dilute the current shareholders. The number of shares that may be issued to raise additional capital is not yet known.
- 9.12 In general terms, investments in mineral exploration companies are high risk and for those shareholders who consider that the proposed Marampa Transaction (acquisition of Marampa) from AML is a risk worth taking, then the proposed Marampa Transaction under Resolution 1 may be reasonable.
- 9.13 The Mineral Assets may not turn out to be commercially viable and thus losses may be incurred.

- 9.14 The Marampa Iron Ore Project is located in the Sierra Leone. Political, economic and exchange risk is considered to be higher in the Sierra Leone than if the operations were located in Australia.
- 9.15 For successful commercial operations, the Company will be significantly reliant, amongst other things on the use of existing infrastructure such as rail, road and port facilities. These facilities may require significant upgrades at a potentially considerable cost to the company.

#### **Other Factors**

- 9.16 The number of fully paid ordinary shares on issue initially rises by 57,162,723 to 597,759,256 under Tranches 1 and 2 (before exercise of any existing share options and issue of any other shares). This represents an approximately 10.57% increase in the ordinary shares of the Company based on the number of shares on issue at the time of the announcement of the Marampa Transaction on 25 November 2009. On 4 December 2009 Tranche 1 of the shares (24,569,934 shares) were issued. These were not subject to shareholder approval. Tranche 2 is subject to shareholder approval pursuant to Resolution 1 and on the issue of these shares the shares in issue in Cape Lambert will increase by approximately 5.76%.
- 9.17 The initial 35% interest in the Marampa Iron Ore Project was acquired by Cape Lambert in two tranches in October 2008 and January 2009. Under the terms of the First Marampa Agreement entered into in October 2008, Cape Lambert issued 44 million of its shares to Marampa (shares subsequently transferred to AML) for an approximate 30% interest and committed to invest US\$25 million to fund a definitive feasibility study. The Company had the right to withdraw from the transaction upon expending an initial US\$5 million and if the Company exercised this right it would retain a pro rata interest in Marampa and would have no further expenditure obligations, other than to make contributions to Marampa pro rata to its shareholding in Marampa. Additionally, the Company was granted the exclusive option to invest further in the Marampa project by acquiring from AML the outstanding shares in Marampa at a price of US\$200 million less the aggregate of US\$25 million and the value of the 44 million Cape Lambert shares (US\$13,170,267) which amounted to US\$186,829,733.

Under the terms of the Second Marampa Agreement entered into in January 2009 Cape Lambert increased its investment to approximately 35% by the issue of a further 17,000,000 shares with a deemed value of US\$3,391,676. The option to acquire the outstanding shares in terms of the first Marampa agreement remained in force, except that the consideration payable reduced from US\$186,829,733 by US\$3,391,676 to US\$183,438,057.

Under the Third Marampa Agreement entered into on 24 November 2009, Cape Lambert, AML and Marampa varied the First and Second Marampa agreements such that the consideration payable for the outstanding shares would be satisfied by the allotment and issue of 57,162,723 Cape Lambert shares in two tranches and not as noted above. As at the date of signing the Third Marampa Agreement, Cape Lambert had issued 61,000,000 Cape Lambert shares at a deemed price of US\$16,561,943 and provided funds towards a feasibility study of US\$5,667,308. The combined total of the deemed value of the shares and the feasibility study expenditure was US\$22,229,250. Therefore in terms of the First and Second Marampa agreements the amount payable to acquire the outstanding Marampa shares would have been US\$177,770,750. Under the Third Marampa Agreement the first tranche of 24,569,934 Cape Lambert shares were issued at a deemed cost of 54.61 cents per share for a value of \$13,417,641. Assuming the second tranche of 32,592,789 shares was issued at the same price, the deemed value would be \$17,788,922 giving a total value of \$31,216,563 (USD\$28,563,155 at an exchange rate of 1AUD=USD0.915) for the 57,162,723 Cape Lambert shares. This is US\$149,207,595 less than the amount payable under the terms of the First and Second Marampa Agreements.

- 9.18 It is noted that in terms of the Third Marampa Agreement the issue of the first tranche of 24,569,934 shares was due immediately upon execution of the agreement. The shares were issued on 4 December 2009. As per the Third Marampa Agreement if the issue of the second Tranche of Cape Lambert shares under the agreement is not approved by shareholders, Cape Lambert and AML's interests in Marampa will be approximately 63% and 37% respectively.
- 9.19 Under the Third Marampa Agreement entered into on 24 November 2009, Cape Lambert, AML and Marampa agree that upon execution of the agreement the obligation of Cape Lambert to fund the Feasibility Study is immediately extinguished.
- 9.20 We have been advised by management that there are no minimum exploration commitments imposed by the Sierra Leonean Government at the time of licence application and subsequent renewals. As noted above the requirement to fund a Feasibility Study up to US\$25 million (US\$5,667,308 spent to 25 November 2009) falls away.
10. **Conclusion as to Reasonableness**
- 10.1 **After taking into account the factors referred to in 9 above and elsewhere in this report, we are of the opinion that the proposed Marampa Transaction as noted in paragraph 1.2 and Resolution 1 in the Notice may be considered, on balance, to be reasonable to the non-associated shareholders of Cape Lambert.**
11. Sources of Information
- 11.1 In making our assessment as to whether the proposed Marampa Transaction as noted in paragraph 1.2 is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, the Mineral Assets and Marampa that is relevant to the current circumstances. In addition, we have held discussions with the management of Cape Lambert about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors and management of Cape Lambert.
- 11.2 Information we have received includes, but is not limited to:
- Draft Notices of Cape Lambert and draft Explanatory Statements to Shareholders prepared in December 2009;
  - Discussions with management and directors of Cape Lambert;
  - Details of historical market trading of Cape Lambert ordinary fully paid shares recorded by ASX for the period 1 January 2009 to 16 December 2009;
  - Shareholding details of Cape Lambert as supplied by the Company's share registry as at 14 December 2009;
  - Audited consolidated balance sheet of Cape Lambert as at 30 June 2009;
  - Un-audited consolidated balance sheet of Cape Lambert as at 30 September 2009 and un-audited consolidated balance sheet of Cape Lambert as at 30 September 2009 adjusted for material transactions post 30 September 2009;
  - Announcements made by Cape Lambert to the ASX to 16 December 2009;
  - The Share Sale Agreement ("Third Marampa Agreement") between Cape Lambert and AML and Marampa executed on 25 November 2009 for the proposed acquisition of the Class A Marampa shares and the First and Second Marampa agreements in respect of the acquisitions by Cape Lambert of the initial 35.06% interest in Marampa;
  - A Share Buyback Agreement between Cape Lambert, AML and Marampa;
  - The independent Valuation Report of Maynard dated 16 December 2009;
  - The estimated annual minimum mineral expenditure commitments of the Marampa Group;
  - Un-audited accounts of Marampa for the year ended 31 December 2008, 30 June 2009 and management accounts for the period ended 31 October 2009;



- Minutes of Board meetings of Marampa and Marampa Iron Ore SL Limited;
- Group structure of Cape Lambert;
- A September 2009 Market Update report prepared by Cape Lambert;

11.3 Our report includes Appendix A, our Financial Services Guide and the Valuation Report by Maynard attached to this report.

Yours faithfully

**STANTONS INTERNATIONAL SECURITIES**

A handwritten signature in dark ink, appearing to read 'J P Van Dieren', with a long horizontal flourish extending to the right.

**J P Van Dieren - FCA  
Director**

## APPENDIX A

### AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities dated 17 December 2009, relating to acquiring all of the share capital of Marampa as outlined in paragraph 1.2 of the report and Resolution 1 in the Notice of Meeting to Shareholders proposed to be distributed to shareholders in December 2009.

At the date of this report, Stantons International Securities does not have any interest in the outcome of the proposal. There are no relationships with Cape Lambert or Marampa other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stantons International Securities and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$26,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities nor John P Van Dieren have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities does not hold any securities in Cape Lambert or Marampa. There are no pecuniary or other interests of Stantons International Securities that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice. Stantons International Securities has prepared 3 independent experts reports in 2009 for Cape Lambert and or its related/associated companies and was the independent accountant's for the Q Copper Australia Limited prospectus and IPO.

### QUALIFICATIONS

We advise Stantons International Securities is the holder of an Australian Financial Services Licence (no 319600) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. A number of the directors of Stantons International Pty Ltd are the directors of Stantons International Securities and its affiliated company Stantons International Services Pty Ltd. Stantons International Securities and Stantons International Services Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John P Van Dieren, FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

### DECLARATION

This report has been prepared at the request of the Directors of Cape Lambert in order to assist the shareholders of Cape Lambert to assess the merits or otherwise of the proposals to acquire all of the shares in Marampa as outlined in resolution 1 and the Explanatory Statement to which this report relates. This report has been prepared for the benefit of Cape Lambert's shareholders and does not provide a general expression of Stantons International Securities opinion as to the longer term value of Cape Lambert, its assets and Marampa, its subsidiary and their Mineral Assets. Stantons International Securities does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Cape Lambert or the Marampa Group. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities to the form and context in which it appears.

## **DISCLAIMER**

This report has been prepared by Stantons International Securities with due care and diligence. However, except for those responsibilities, which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stantons International Securities, Stantons International Pty Ltd, and Stantons International Services Pty Ltd, their directors, employees or consultants for the preparation of this report.

## **DECLARATION AND INDEMNITY**

Recognising that Stantons International Securities may rely on information provided by Cape Lambert and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities experience and qualifications), Cape Lambert has agreed:

- (a) To make no claim by it or its officers against Stantons International Securities (and Stantons International Pty Ltd) to recover any loss or damage which Cape Lambert may suffer as a result of reasonable reliance by Stantons International Securities on the information provided by Cape Lambert; and
- (b) To indemnify Stantons International Securities (and Stantons International Pty Ltd) against any claim arising (wholly or in part) from Cape Lambert or any of its officers providing Stantons International Securities any false or misleading information or in the failure of Cape Lambert or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities.

A draft of this report was presented to Cape Lambert directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

**FINANCIAL SERVICES GUIDE  
FOR STANTONS INTERNATIONAL PTY LTD  
(Trading as Stantons International Securities)  
Dated 17 December 2009**

1. Stantons International Securities ACN 103 088 697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 319600;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. Financial services we are licensed to provide

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. General Financial Product Advice

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. Benefits that we may receive

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. Associations and relationships

SIS is ultimately a wholly division of Stantons International Pty Ltd a professional advisory and accounting practice. Our directors may be directors in Stantons International Pty Ltd and SIS is affiliated with Stantons International Services Pty Ltd, a tax and accounting practice.

From time to time, SIS, Stantons International Pty Ltd and Stantons International Services Pty Ltd and/or their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

9. Complaints resolution

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer  
Stantons International Securities  
Level 1  
1 Havelock Street  
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### 9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited  
PO Box 3  
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9613 6399

#### 10. Contact details

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

# **AL MAYNARD & ASSOCIATES Pty Ltd**

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***Australian & International Exploration & Evaluation of Mineral Properties***

### INDEPENDENT VALUATION OF THE MARAMPA IRON ORE PROJECT

SIERRA LEONE

PREPARED FOR

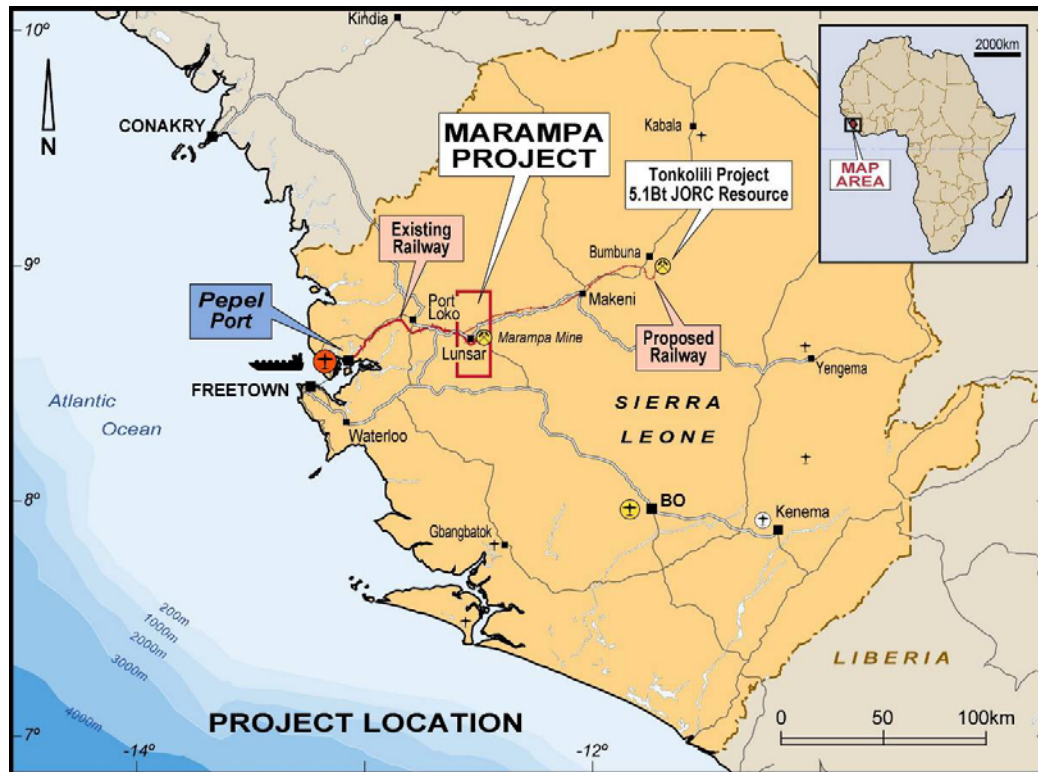
(STANTONS INTERNATIONAL PTY LTD T/A)  
**STANTONS INTERNATIONAL SECURITIES**

Authors: Allen J Maynard BAppSc(Geol), MAIG, MAusIMM  
Brian J Varndell BSc(Hons) FAusIMM,  
Company: Al Maynard & Associates Pty Ltd  
Date: 16<sup>th</sup> December, 2009

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## EXECUTIVE SUMMARY

This independent valuation has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr J Van Dieren, Director of Stantons International Securities (“SIS”) to provide an independent valuation of the “Marampa Iron Ore Project” as described below.



**Figure 1: Marampa Project Location**  
(From Cape Lambert Resources Limited).

The Marampa Iron Ore Project comprises one Exploration Licence (EXPL09/06) covering 315 km<sup>2</sup> located 90km northeast of Freetown in Sierra Leone. This licence is held by Marampa Iron Ore SL Limited (“Marampa SL”) a wholly owned subsidiary of Marampa Iron Ore Limited (“MIOL”).

This valuation is based on a site visit by Mr B Varndell from AM&A plus a review of data supplied by Cape Lambert & MIOL and on publicly available information including announcements to ASX & AIM.

In AM&A’s opinion the Marampa Iron Ore Project is valued at A\$184 million from within the range of A\$35 million to A\$504 million based on the Empirical Method with some weighting given to comparable transactions.



The form of the Empirical Method used employs estimates of exploration target ranges utilising historic & contemporary exploration data including sub-surface drilling, trenching & pitting and geophysical and surface geological surveys.

The range of values is generated by firstly estimating what is possible to be there and then applying a severe discount to that total to derive the lower limit. The details of this method are described in the body of the report below and in the attached valuation worksheets (Tables 5 & 6) in Appendix 1.

The Exploration Target ranges described in this report are not to be misunderstood nor misconstrued as possible estimates of Mineral Resources. These exploration target range estimates are conceptual in nature, and there is insufficient drill data to enable a Mineral Resource estimate. Future exploration is not certain of defining part or whole of any of neither these targets nor a Mineral Resource.

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The Directors  
Stantons International Securities  
Level 1, No. 1 Havelock Street,  
West Perth, WA, 6005

16<sup>th</sup> December, 2009

Dear Sirs,

## **1.0 Introduction**

This report has been prepared by AM&A at your request to provide an independent appraisal of the current cash value of the Marampa Iron Ore Project held by Marampa Iron Ore Limited ("MIOL") located in Sierra Leone some 90km northeast of the Capital city of Freetown (Figure 1). No mineral resources have been defined at present. As illustrated in Figure 2, there is sound existing infrastructure by way of sealed road, rail and port facilities.

## **1.1 Scope and Limitations**

This independent valuation and its accompanying geological description have been prepared at the request of Mr J Van Dieren, Director of Stantons International Securities ("SIS") to provide an independent opinion of the current value of the Marampa Project as described in this report. SIS was requested by Cape Lambert Resources Limited ("Cape Lambert") to provide an Independent Experts' Report in connection with a proposed transaction between African Minerals Limited ("African Minerals") and Cape Lambert.

This valuation has been prepared in accordance with the requirements of the Valmin Code (2005) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

This valuation is valid as at 16<sup>th</sup> December, 2009 and refers to the writers' opinion of the value of the mineral assets at this date. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writer's technical training and experience in the mining industry. The opinions expressed represent the writer's fair professional opinion at the time of this report.

These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation may be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms-length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified from within that range.

The readers should form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this report is based on technical reports provided by Cape Lambert and MIOL including statutory tenement reports and supplemented by our own inquiries and public sources of information. At the request of AM&A copies of relevant technical reports and agreements were made available. Whilst we refer to this project and tenement information AM&A provides no warranties as to the completeness or otherwise of this information. We have made all reasonable inquiries about the veracity of this information.

Cape Lambert will be invoiced for the preparation of this report based on our standard fees and terms and conditions. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writer nor his family nor associates have any interest neither in the property reported upon nor in Cape Lambert nor MIOL. MIOL has confirmed in writing that all technical data known in the public domain is available to the writer.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 4 section 5.2. Regarding the project it is considered that sufficient geotechnical data has been provided from the reports covering the

previous exploration of the area to enable an understanding of the geology. This, coupled with general knowledge of the area provides sufficient information to form an opinion as to the current value of the mineral assets.

## **1.2 Statement of Competence**

This report has been prepared by Allen J. Maynard BAppSc(Geol) MAusIMM and Member of AIG, a geologist with over 30 years in the industry and 25 years in mineral asset valuation and Mr Brian J. Varndell, BSc(Hons), FAusIMM, a geologist with over 35 years in mining and exploration and evaluation of mineral properties. Mr Varndell conducted a site visit during December 6<sup>th</sup> to 8<sup>th</sup>, 2009 for the purpose of this report. The writers hold the appropriate qualifications, experience and independence to qualify as independent “Experts” under the definitions of the Valmin Code.

## **2.0 Valuation of the Mineral Assets – Methods and Guides**

Without ore reserves it is very difficult to place a singular dollar value on any mining tenement. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The relevant ASIC publications have also been duly referred to and considered in relation to the valuation procedure: ‘Regulatory Guidelines’ 111 & 112.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms length purchaser will pay for a mining (or other) property in a transaction devoid of “forced sale” circumstances.

### **2.1 General Valuation Methods**

The Valmin Code identified various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Capitalisation of earnings,
- Joint Venture and farm-in terms for arms length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

### **2.2 Discounted Cash Flow/Net Present Value**

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is subjective according to the valuer’s opinion.

The percentages used will vary according to the details of any particular deposit such as grade, waste:ore ratio, metallurgical recovery and other relevant factors. Alternatively a value can be assigned on a royalty basis commensurate with the *insitu* contained metal value.

Net present value ("NPV") is determined from discounted cash flow ("DCF") analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

### **2.3 Joint Venture Terms**

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

### **2.4 Similar Transactions**

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

### **2.5 Multiple of Exploration Expenditure**

The multiple of exploration expenditure method ("MEE") is used whereby a subjective factor (also called the prospectivity enhancement multiplier or "PEM") is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEEs can typically range between 0 to 3 and occasionally up to 5.0 applied to previous exploration expenditure to derive a dollar value.

### **2.6 Ratings System of Prospectivity (Kilburn)**

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ("BAC") of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes, on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## **2.7 Empirical Methods (Yardstick – Real Estate)**

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## **2.8 General Comments**

The aims of the various methods are to provide an independent opinion of a "fair value" for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Technical details of the known mineralisation such as structural, lithological, chemical and metallurgical characteristics;
- Suitability and location of existing infrastructure;
- Current market values for properties in similar or analogous locations, and
- Current commodity prices.

## **2.9 Environmental implications**

Information to date indicates that the project area does not contain fauna or flora species regarded as being rare, threatened or endangered. This may need to be reviewed by an environmental specialist prior to any permitting of any future intensive exploration and/or mining activities.

The main historic Marampa mining area is located within a separate, surrounded, excluded tenement (ML02/05- African Minerals Ltd) from Marampa SL's ground. Previous work on EXPL09/06 has not interfered with nor compromised mining operations.



## **2.10 Native Title Claims**

Native Title Claims are not applicable to this area. AM&A is not aware of any areas of significance within the tenements. Local consultants with expertise in this field may need to be engaged to define any matters of this sort.

## **2.11 Commodities-Metal prices**

Where appropriate, current metal prices are used sourced from reputable metal and commodity markets and publications.

## **2.12 Resource/Reserve Summary**

There is insufficient data currently available to calculate a (JORC Code) resource. Further exploration work is required and is ongoing. On adjoining ML02/05 there are historical resource estimates dating back to the 1970s.

## **2.13 Previous Valuations**

No previous valuations have been declared within the last two years.

## **2.14 Encumbrances/Royalty**

Royalty payments are not appropriate in this valuation but it is understood that a Sierra Leone Government royalty of 3% will be applicable after production commences.

# **3.0 Background Information**

## **3.1 Introduction**

This valuation has been provided by way of a detailed study of information provided by Marampa for the current tenement which includes historical and current data relevant to the area and a field inspection was conducted during 6<sup>th</sup> to 8<sup>th</sup> December, 2009.

The area under review comprises one Exploration Licence located 90km northeast of Freetown in Sierra Leone.

## **3.2 Specific Valuation Methods**

There are various methods available for the valuation of mineral properties ranging from the most favoured DCF analysis of identified Ore Reserves and Mineral Resources to the more subjective rule-of-thumb assessments such as the Yardstick or Empirical methods or Comparative Value/Similar Transactions method. These methods are discussed above in Section 2.0.

For the Marampa Project, a form of the Empirical or Yardstick Method was used to derive a current value. A range of potential quantities of hematite schist iron mineralisation was estimated based on the available technical information and field observations. A preferred in situ value per tonne sourced from comparable transactions was applied. These in situ values were also rated based on location, infrastructure and economic factors such as metallurgy. A discount or probability factor was applied to the range of values; this was largely based on the level of knowledge for the prospects, but also incorporated allowances for

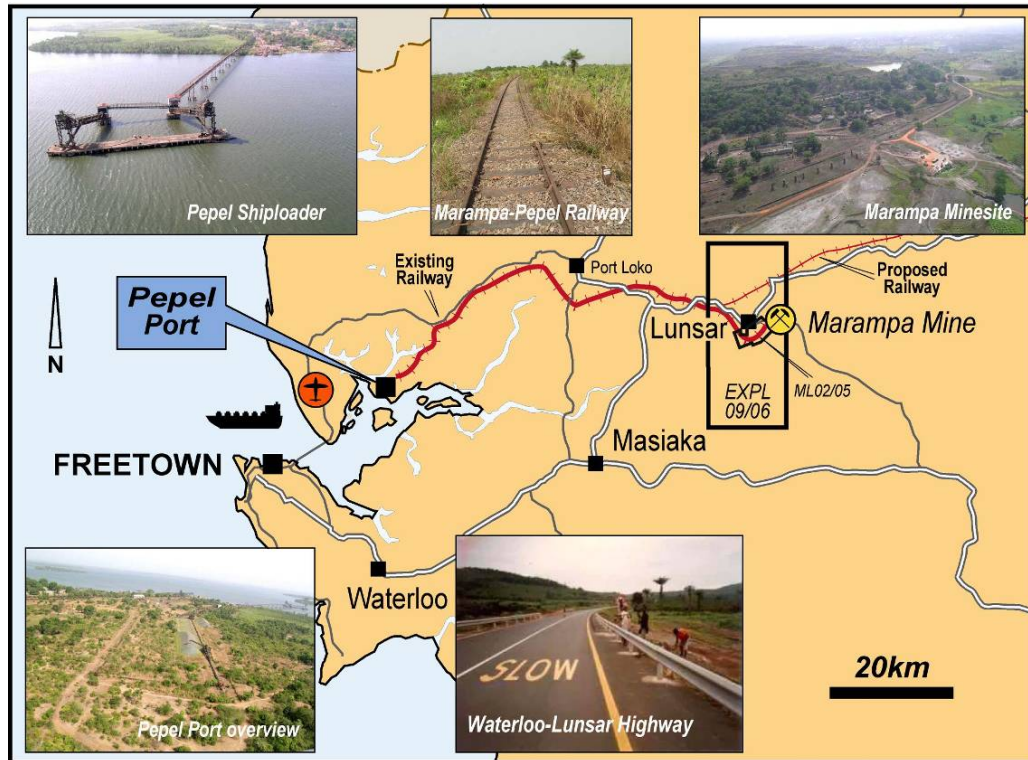


regional location. A preferred value was derived by significantly discounting the maximum theoretical in situ value of the potential mineralisation.

#### 4.0 Marampa Iron Ore Project

##### 4.1 Location and Infrastructure

The Marampa Project is located 90km northeast of the capital city of Sierra Leone, Freetown (Figure 2). The project area is access via sealed road from Freetown, and via a largely unsealed road to the international airport at Lungi.



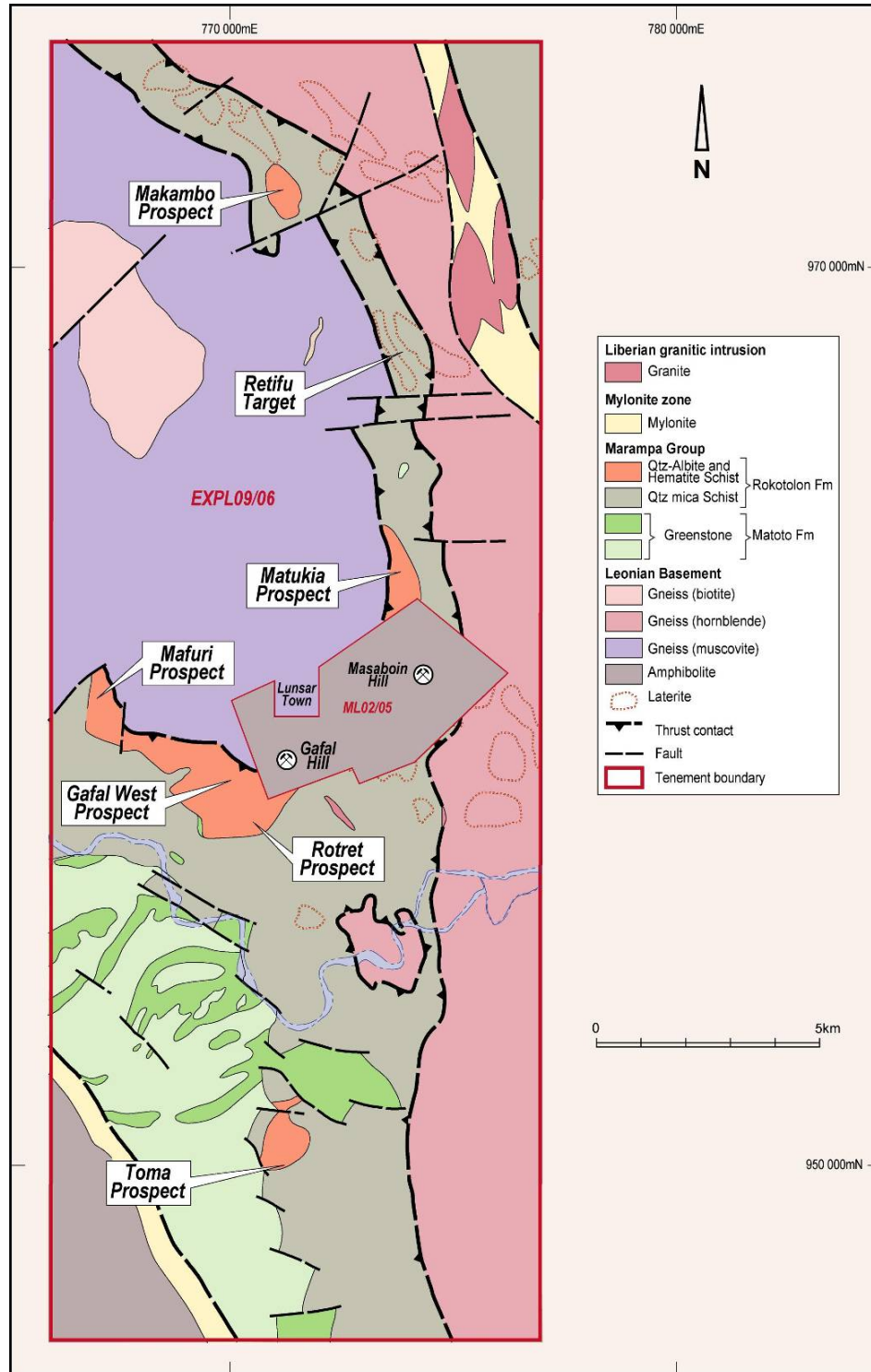
**Figure 2: Location of EXPL09/06 and Regional Infrastructure**  
(from Cape Lambert Resources Limited).

The Marampa Project is connected to the ship-loading facility at Pepel Port by an 84km narrow gauge railway. This infrastructure requires refurbishment to return it to operating condition. African Minerals hold a long term lease for the port and rail facilities, which requires African Minerals to provide access to third parties. Pursuant to an investment agreement African Minerals must provide MIOL access to the infrastructure on agreed commercial terms.

##### 4.2 History

Iron ore was mined from Masaboin Hill and Gafal Hill, located on ML02/05 (refer Figure 3) from about 1933 until 1975. Production peaked at around 2.5Mt per annum in the 1960s. A lateritic cap locally referred to as “red ore” was mined as lump ore initially. Mining operations then progressed to mining and beneficiation of soft and hard varieties of the underlying specular hematite ores with reported

average grades of approximately 30 – 40% Fe to produce a concentrate grading approximately 64% Fe.



**Figure 3: Regional Geology with historic mines and Marampa Project prospect locations (sourced from MIOL).**

### 4.3 Tenure

Exploration Licence EXPL09/06 covering 315 km<sup>2</sup> was granted in 2006 (refer Table 1) and is held by Marampa Iron Ore (SL) Limited. Under Sierra Leone mining law exploration tenement can be granted for a period of up to 7 years comprising a first period of 3 years, and 2 subsequent periods of 2 years.

The tenement contains several occurrences of hematite +/- magnetite mineralisation. The tenement excludes Mining Lease ML02/05 held by London Mining that contains the iron tailings from previous mining operations.

Exploration Licence	Date of grant	Tenement Area km <sup>2</sup>	Period
EXPL09/06	1 Jul 2006	319	First period - 3 years
EXPL09/06	1 Jul 2009	315	Second period - 2 years

**Table 1: Tenement Information Summary.**

### 4.4 Regional Geology

EXPL09/06 covers an area of Archaean basement gneisses, which are structurally overlain by rocks of the Marampa Group (refer Figure 3). The Marampa Group consists of an upper formation of pelitic to psammitic metasedimentary rocks known as the Rokoton Formation and a lower formation of greenstones, the Matoto Formation (SRK, 2009)

### 4.5 Local Geological Setting

Iron mineralisation at the project is hosted by specular hematite quartz mica schists ("hematite schist") of the Rokoton Formation, which is interlayered with quartz-mica-albite schists.

The thickness of the hematite schists within the EL varies from thin bands 10 to 25m thick up to larger units >100m thick. Four reconnaissance diamond holes drilled in late 2007, targeting the gravity high immediately west of the old Gafal Hill mine (Gafal West Prospect – refer Figure 3.), confirmed the occurrence of hematite schist with thicknesses interpreted to be 90 metres or more, with grades in the range of 30-40% Fe, flanked by lower grade material over similar widths.

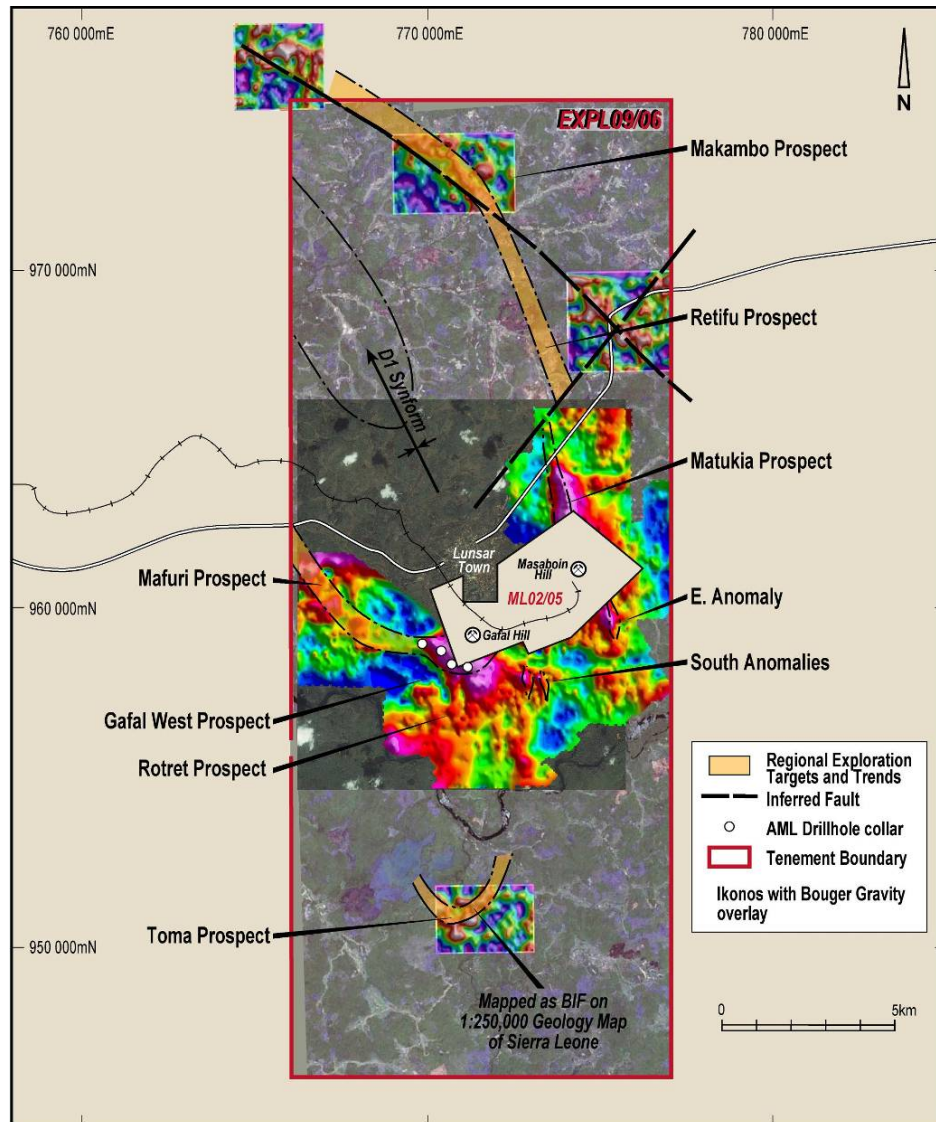
SRK Consultants ("SRK") identified 4 deformations (D1-4) of which the most important are folding related to D3 and D4. The F3 folds are general tight to isoclinal with overall wavelengths of 200-500 m and axial planes trending north. The later F4 folds are general open with axial planes trending east southeast.

### 4.6 Exploration

During 2005, a total of 940 line kilometres of aerial magnetic survey were completed by African Minerals. Re-processing and interpretation of this data was carried out in 2006 by RSG Global ("RSG"). RSG developed a regional

geological interpretation and identified a number of iron ore and other exploration targets.

A ground gravity survey covering six areas of interest on EXPL09/06 was completed by Fugro Consultants in mid 2007 (refer Figure 4). The gravity data was processed and interpreted by Resource Potentials. This interpretation identified promising exploration targets flanking the historic Marampa mining areas, and other zones to the north and south.



**Figure 4: Ground gravity showing prospects and trends. (from MIOL).**

RSG carried out geological mapping in late 2006. This work advanced the understanding of the geology and structure and the nature of the iron mineralisation and folding.

Four reconnaissance diamond drill holes were completed by African Minerals at the Gafal West Prospect in 2007. Summary assay results are shown in Table 2 and locations in Figure 4.



Hole Number	From (m)	To (m)	Apparent Width (m)	Fe %	SiO <sub>2</sub> %	Al <sub>2</sub> O <sub>3</sub> %	P %
<b>MARDH001</b>	0	260	260.0	8.4	64.2	10.4	0.05
Including	0	36	36.0	27.8	47.0	7.1	0.08
<b>MARDH002</b>	0	237	237.0	28.3	42.5	5.1	0.12
Including	102	237	135.0	32.9	36.4	3.7	0.12
<b>MARDH003</b>	0	262.5	262.5	23.1	51.3	7.0	0.26
Including	0	24	24.0	30.9	41.8	8.4	0.06
<b>MARDH004</b>	0	181.5	181.5	29.9	45.7	5.6	0.19
including	0	60	60.0	32.6	43.9	5.8	0.05

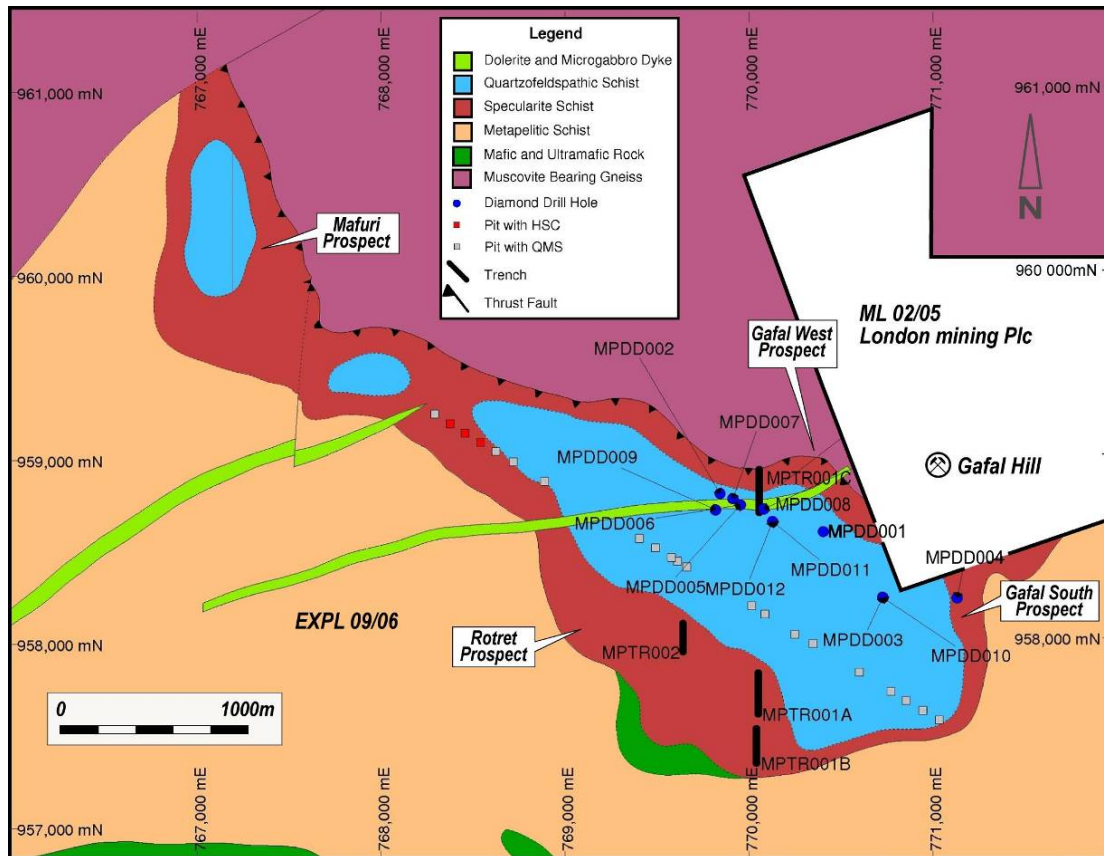
**Table 2: Scout drilling results, Gafal West.**

Detailed mapping over the entire area of EXPL09/06 was completed by geologists from SRK in March 2009. This confirmed and further defined the distribution of specular hematite schist units to the immediate west (Gafal West Prospect) and immediate north (Matukia Prospect) of the historic Marampa mine and confirmed the occurrence of hematite schist to the west and south of Gafal West at Mafuri and Rotret respectively. Two new specular hematite schist prospects were identified at Makambo located 8km north, and at Toma located 7km south of Lunsar respectively, on the south side of the Rokel River. Prospect mapping by Marampa geologists has since located hematite schist at the Retifu prospect north of Matukia.

Follow-up mapping and trenching activities to refine drill targets commenced at Gafal West in March, at Rotret in April 2009, at Makambo in June, at Matukia in September and at Mafuri in December 2009. To date more than 50 test pits and 1,100 m of linear trenching has been completed including 700 linear metres of trenching at the Gafal West Prospect and 250 m at the Matukia Prospect with promising widths and grades returned.

Diamond drilling commenced at Gafal West in late June 2009. A total of 3,425 m has been completed to date in 8 holes with holes varying from 320 to 503 m deep (refer Figure 5). All drill core from this program is oriented to enable elucidation of the folding. Whilst assay results are pending, it was observed that thicknesses of hematite schist varied from approximately 80m to 150m at depths of from 40m to 300m below surface.

Drilling is scheduled to commence at the Matukia Prospect early in 2010.



**Figure 5: Gafal West Prospect: Geology, trench and drill hole locations.**  
(from MIOL)

#### 4.7 Metallurgy

Sighter metallurgical test work has been carried out by MIOL on composite bulk samples collected from three of the scout diamond holes drilled by African Minerals. This work indicated that a multi-stage 'WHIMS' processing flow sheet is most appropriate for production of a high grade hematite concentrate from the hematite schist ore. Test work results are shown in Table 3. Further test work is in progress to evaluate upgrade for premium sinter and pellet feed products.

Composite	Weight Recovery %	Fe		SiO <sub>2</sub>		Al <sub>2</sub> O <sub>3</sub>		P	
		Grade %	Dist %	Grade %	Dist %	Grade %	Dist %	Grade %	Dist %
0-50m Feed		30.4		45.6		6.51		0.06	
0-50m Conc.	43.0	63.2	90.5	5.8	5.4	1.8	11.8	0.03	20.3
50-200m Feed		28.1		44.8		5.25		0.23	
50-200m Conc.	42.6	61.1	92.3	7.4	6.9	1.8	14.4	0.04	6.6

**Table 3: Gafal West Hematite Schist - WHIMS Rougher Results.**  
(at P80 of 125 microns)

## **4.8 Exploration Potential**

### **4.8.1 Target Tonnage Estimates.**

The basic geometry (strike length, width & thickness) of the various prospects as determined from surface mapping, trenching, geophysical surveys and drilling is used to estimate the potential iron mineralisation that could be outlined by more detailed exploration. From the initial data a volume (m<sup>3</sup>) is calculated and then a density factor is applied to this volume to derive a potential tonnage range. The density factor for the hematite schist was based on averages of whole rock immersion measurements from NQ drill cores from the Gafal Prospect.

Grade estimates are based on averages of recent trench and drill intersections above a 20% Fe lower cut off grade with <5m of internal dilution allowed.

The target estimates are summarised in the spreadsheet attached as Appendix 1. The aggregate Exploration Target tonnage range is from to 143Mt to 1,123Mt at an anticipated grade range of from 27% to 35% Fe.

Note that these exploration target tonnage ranges and grade ranges are conceptual in nature, do not represent JORC Code guidelines compliant mineral resources and future exploration may or may not define mineral resources in whole or in part.

## **5.0 Valuation of the Project**

To determine a fair market value, several aspects need to be considered. As no JORC Code mineral resources or ore reserves are available, the DCF method is not applicable. The writer considers that the Empirical method is the most applicable with some weighting given to comparable transactions where Australian examples have ranged from \$0.26 to \$4.90 per tonne of insitu iron.

### **5.1 Empirical Method**

The aggregate exploration target estimate is for a range of tonnes from 143 million to 1,124 million at grade ranges from 27% to 35% Fe. The assigned *in situ* value is discounted (from A\$110 per dmt Fe fines nominal current spot price) to a range from A\$0.50 to A\$0.75 per tonne. This is in line with comparable transactions depending on the nature or confidence of the target mineralisation potential. This method generates a cash value range from A\$35 million to A\$504 million. In our opinion the most likely or preferred value is A\$184 million, which represents a discount of 63% of the maximum value derived (A\$504M).

## 5.2 Valuation Conclusions

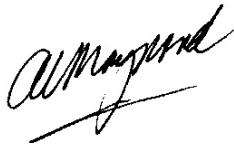
The current cash valuation is derived from within the ranges provided by the empirical method as shown in Table 4 below.

Marampa Iron Project Method	Value as at December 2009		
	Low A\$M	High A\$M	Preferred A\$M
Empirical	35	504	184

**Table 4: Range of Values.**

Thus, it is the writer's opinion that the preferred value of the Marampa Iron Ore Project is A\$184 million from within the ranges of A\$35 million to A\$504 million.

Yours faithfully,



Allen J. Maynard

BAppSc(Geol), MAIG, MAusIMM.



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## Appendix 1.

Prospects	Strike			Thickness			Depth			BD
	Min.	Max.	Pref.	Min.	Max.	Pref.	Min.	Max.	Pref.	
	km	km	km	m	m	m	m	m	m	
Gafal W	1.50	2.40	1.95	75	125	100.00	100	250	200	3.5
Rotret	1.00	2.00	1.50	40	80	60.00	100	200	150	3.5
Mafuri	0.50	1.00	0.75	50	100	75.00	100	200	150	3.5
Matukia	1.00	1.60	1.30	75	125	100.00	100	250	200	3.5
Retifu	0.50	1.00	0.75	40	80	60.00	100	200	150	3.5
Makambo	1.00	2.00	1.50	40	80	60.00	100	200	150	3.5
Toma	0.50	1.00	0.75	40	80	60.00	100	200	150	3.5
Extensions	1.50	4.00	2.75	50	100	75.00	100	200	150	3.5

**Table 5: Exploration Target Size Assumptions.**

Prospects	Exploration Target			Nominal in situ Value			Multiplier	Valuation Range		
	Min.	Max.	Pref.	Min.	Max.	Pref.		Min.	Max.	Pref.
	Mt	Mt	Mt	A\$/t	A\$/t	A\$/t		A\$M	A\$M	A\$M
<b>Gafal W</b>	39.38	262.50	136.50	0.50	1.00	0.75	1.00	19.69	262.50	102.38
<b>Rotret</b>	14.00	112.00	47.25	0.50	1.00	0.75	0.50	3.50	56.00	17.72
<b>Mafuni</b>	8.75	70.00	29.53	0.50	1.00	0.75	0.25	1.09	17.50	5.54
<b>Matukia</b>	26.25	175.00	91.00	0.50	1.00	0.75	0.50	6.56	87.50	34.13
<b>Retifu</b>	7.00	56.00	23.63	0.50	1.00	0.75	0.25	0.88	14.00	4.43
<b>Makambo</b>	14.00	112.00	47.25	0.50	1.00	0.75	0.25	1.75	28.00	8.86
<b>Toma</b>	7.00	56.00	23.63	0.25	0.75	0.50	0.25	0.44	10.50	2.95
<b>Extensions</b>	26.25	280.00	108.28	0.50	1.00	0.75	0.10	1.31	28.00	8.12
<b>Totals</b>	<b>142.63</b>	<b>1123.50</b>	<b>507.07</b>					<b>35.22</b>	<b>504.00</b>	<b>184.13</b>
<b>Rounded</b>	<b>143</b>	<b>1124</b>	<b>507</b>					<b>35</b>	<b>504</b>	<b>184</b>

**Table 6: Yardstick Valuation Matrix.**

**Notes: (1):** PEM = Prospectivity Enhancement Multiplier. Factor selected to increase or decrease the estimated target tonnage ranges based on confidence of available geotechnical data. (1.0 – Drilling ; 0.5-Trenching; 0.25- Pitting & Recce. Work done; 0.1- basic geophysics available).



000001 000 CFE  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Lodge your vote:



### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

## For all enquiries call:

(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

# Proxy Form

For your vote to be effective it must be received by 9.00am (WST) Saturday 23 January 2010

## How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

## Signing Instructions

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

## Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**Turn over to complete the form** ➔



View your securityholder information, 24 hours a day, 7 days a week:

**[www.investorcentre.com](http://www.investorcentre.com)**

- ☒ Review your securityholding
- ☒ Update your securityholding

**Your secure access information is:**

**SRN/HIN: I9999999999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

☐

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark ☒ to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Cape Lambert Resources Limited hereby appoint

☐ the Chairman of the Meeting **OR**



**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Cape Lambert Resources Limited to be held at Kailis Bros, upstairs 101 Oxford Street, Leederville, Western Australia 6007 on Monday, 25 January 2010 at 9.00am (WST) and at any adjournment of that meeting.

**Important for Items 1 to 3:** If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 1 to 3 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 to 3 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 1 to 3 of business.

☐ I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

### STEP 2 Items of Business



**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Issue of Shares to Acquire Shares in Marampa Iron Ore Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Ratification of Prior Issue - Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Disposal of Major Asset	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact  
Name

\_\_\_\_\_

Contact  
Daytime  
Telephone

\_\_\_\_\_

Date \_\_\_\_/\_\_\_\_/\_\_\_\_