

ASX Announcement 27 July 2010

NEW DRILL TARGETS DEFINED AND SIGNIFICANT SHALLOW WIDTHS OF IRON MINERALISATION INTERSECTED AT GAFAL WEST

Key Points:

- Resource drilling at Gafal West returns significant intersections including:
 - MPDD026: 116m at 27.9% Fe from surface and 170m at 36.7% Fe from 162m;
 - MPDD029: 94.9m at 27.6% Fe from 19.1m, and
 MPDD031: 112.4m at 26.4% Fe from 23.6m.
- New drill target identified at Petifu covering a strike length of 4km;
- Total potential strike length extended to over 5km for Gafal West – Mafuri trend;
- Three additional drill rigs mobilised to accelerate resource drilling at Gafal West and Matukia prospects, and to test new targets,
- Scoping study commenced for initial production of 2-5 million tonnes per annum of concentrate, increasing to 10Mtpa; and
- Binding term sheet signed for access rights and equity ownership of Marampa infrastructure.

Australian resources and investment company, Cape Lambert Resources Limited (**ASX: CFE**) ("Cape Lambert" or the "Company") is pleased to update the market on progress at its 100% owned Marampa Iron Ore Project ("Marampa Project" or "Marampa") in Sierra Leone, West Africa (refer Figure 1).

Resource Definition Drilling

Resource definition drilling commenced at Gafal West (refer Figure 2) in March 2010. This drilling program is targeting shallow specular hematite schist mineralisation up-plunge and along strike of mineralisation intersected by scout diamond drilling completed in the December 2009 quarter (refer ASX announcement dated 28 January 2010).

A total of 17 diamond drill holes for 4,219m have been completed at Gafal West (refer Figure 3). Drilling to date has covered a strike length of approximately 1.2km on 200m spaced north-south cross sections. The target specular hematite schist mineralisation is open to the east and west, where step-out drilling is scheduled for the September quarter.

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 625,759,256

Board of Directors

Tony SageExecutive ChairmanTim TurnerNon-executive DirectorBrian MaherNon-executive DirectorRoss LevinNon-executive Director

Eloise von Puttkammer Company Secretary

Key Projects and Interests

Marampa Iron Ore Project Pinnacle Group Assets Limited Sappes Gold Project Mayoko Iron Ore Project Corvette Resources Limited

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Assay results for 11 holes from the Gafal West resource drilling have now been received and details are summarised in Table 1.

Significant intersections include:

- MPDD026: 116m at 27.9% Fe from surface and 170m at 36.7% Fe from 162m;
- MPDD029: 94.9m at 27.6% Fe from 19.1m, and
- MPDD031: 112.4m at 26.4% Fe from 23.6m.

Exploration and Additional Targets

Following completion of a successful trial survey in the March 2010 quarter (refer ASX announcement dated 21 April 2010), an extensive induced polarisation ("IP") ground geophysical survey was completed by SAGAX Afrique SA in May 2010. The trial survey identified a strong correlation between coincident conductive and chargeable IP responses and underlying drill-defined specular hematite schist mineralisation. The IP surveys show better target resolution than magnetic or gravity methods.

The recent survey comprised 23 traverses for a total of 65 line kilometres over prospective trends identified by previous mapping and geophysical surveys, including the 3 new gravity anomalies located north of Matukia in February 2010. This survey has identified a new hematite schist drill target (referred to as Petifu) covering a strike length of 4km. The Petifu target is located under shallow cover to the north of the Matukia prospect (refer Figure 2) and is coincident with the one of the gravity anomalies identified earlier in 2010. In addition, the IP survey has identified strike extensions under shallow cover over more than 2km to the north and south of the Makambo prospect. The survey has also identified that hematite schist mineralisation at Gafal West potentially extends west of the current drilled area for more than 3km under shallow laterite and alluvial cover to join with the Mafuri prospect; this gives a total potential strike length of over 5km to the Gafal West – Mafuri trend.

Three additional drill rigs have been mobilised to Marampa as a consequence of the identification of these new targets and to accelerate the resource definition drilling program. Scout drilling of the Petifu target will be undertaken in the September 2010 quarter.

JORC Resource

A maiden JORC compliant Mineral Resource estimate for the Gafal West and Matukia prospects will be completed in the September 2010 quarter.

Scoping Study

Bateman Engineering Pty Ltd ("Bateman") has been engaged to complete a scoping study for the establishment of a standalone, open pit mining operation and beneficiation plant to produce initially 2-5Mtpa of concentrate, expandable to 10Mtpa of concentrate.

As part of this study, Bateman has completed a site orientation visit and commenced detailed metallurgical test work on composites from the Matukia and Gafal West prospects, with the aim of determining concentrate product specifications and optimising the proposed wet, high intensity magnetic separation process flow sheet.

Iron ore lithologies undergoing metallurgical test work comprise:



- Soft oxide material to depths of 40m below surface with grades of 25 40% Fe (historically known as "powder ore"), and
- Primary material of 2 types: specular hematite schist (25 37.5% Fe) and specular hematite magnetite gneiss (20 30% Fe).

In addition, sighter test work has commenced to evaluate the upgrade of surficial laterite material to a direct shippable product using a bulk sample from Gafal West. The majority of the prospects are overlain with laterite from 2 - 5m thick with grades of 45 - 62% Fe (historically known as "red ore").

SRK Consulting (UK) Limited ("SRK") has been engaged to complete an environmental scoping study for Marampa with the objectives of defining the framework and steps required to permit the project. SRK will commence baseline studies later in 2010.

Marampa Infrastructure

The Company recently announced that it had signed a binding term sheet with African Minerals Limited ("African Minerals") ("Term Sheet") for access rights and equity ownership of the Marampa railway and Pepel Port ("Marampa Infrastructure") (refer ASX announcement dated 16 July 2010). Marampa is connected to the deep water port, stockpiling and ship loading facility located at Pepel via the 84km Marampa railway.

The Term Sheet provides for Cape Lambert to hold a 33% equity interest in the Marampa Infrastructure with rights to an initial minimum transport capacity of 2Mtpa. At the completion of refurbishment, the Marampa Infrastructure is expected to have capacity to transport 10Mtpa and the total refurbishment cost is estimated at US\$135 million. Cape Lambert will earn its equity in the Marampa Infrastructure by contributing refurbishment funding of US\$45 million and the refurbishment project is scheduled to be completed in March 2011. In addition, Cape Lambert has been granted an option to match any third party offer to acquire African Minerals' interest in the Marampa Infrastructure, once it is no longer required by African Minerals.

Yours faithfully Cape Lambert Resources Limited

Tony Sage Executive Chairman

Competent Person:

The contents of this report relating to exploration and mineral resources are based on information compiled by Sean Halpin, a Member of the Australasian Institute of Geoscientists. Mr Halpin is a geological consultant to Marampa Iron Ore Limited and has sufficient experience relevant to the styles of mineralisation and the deposit under consideration and to the activity 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 Halpin consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.





Figure 1: Marampa Project Location



	Down Hole														
Hole	Easting	Northing	RL	Dip	Azimuth	Hole Length	From	То	Length	Fe	A_2O_3	SiO ₂	Р	TiO ₂	LOI
Number	WGS84 Zone 28			Degrees		Metres	Metres		Metres	%	%	%	%	%	%
MPDD025	770201	958699	93	-50	360	259	0	14.5	14.5	25.2	17.57	35.1	0.06	0.72	8.96
							106	162	56	27.0	5.36	39.5	0.09	0.22	5.02
MPDD026	770202	958596	98	-50	360	348	0	116	116	27.9	6.93	44.6	0.10	0.26	2.89
							162	332	170	36.7	2.79	34.6	0.12	0.13	3.45
MPDD027	770000	958759	93	-50	360	192	0	52.9	52.9	23.6	10.05	49.6	0.03	0.37	3.72
							78	156	78	30.1	4.84	42.2	0.12	0.18	2.53
MPDD028	770000	958755	91	-80	360	327	156	276	120	26.7	5.52	45.2	0.12	0.20	2.74
MPDD029	769800	958800	96	-50	360	183	19.1	114	94.9	27.6	6.24	45.0	0.10	0.27	2.98
MPDD030	769800	958700	90	-45	360	239	140	232	92	28.3	5.18	42.6	0.12	0.20	3.07
MPDD031	769599	958828	70	-50	360	170	23.6	136	112.4	26.4	6.43	46.1	0.09	0.26	2.89
MPDD032	769601	958728	65	-50	360	235	134	182	48	27.3	5.61	44.8	0.16	0.21	2.66
MPDD033	769400	958797	63	-50	360	144	70	111.6	41.6	30.4	5.09	41.2	0.16	0.21	2.86
MPDD034	769400	958800	63	-85	360	239	82	202	120	25.5	6.31	46.2	0.17	0.25	2.56
MPDD035	770400	958600	76	-50	360	97	0	28	28	33.1	7.56	39.8	0.03	0.29	3.02

Table 1 – Gafal West Diamond Drill Hole Assay Results

Notes: Collars surveyed by handheld GPS. Minimum intersection width is 6m down hole at >20% Fe. Maximum of 10m of internal waste <20% Fe. All samples half sawn diamond core, HQ in weathered zone, NQ in fresh rock, 2m composites in fresh rock, 2m – 5m composites in weathered rock. Elements assayed by UltraTrace laboratories in Perth, Western Australia using XRF. The down hole intersection lengths do not represent true widths.

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Figure 2: Marampa Project - Prospect Locations





Figure 3: Gafal West - Drill Hole Location Plan