

## **CAPE LAMBERT TO INCREASE PINNACLE INTEREST TO MORE THAN 90%**

### **Key Points:**

- **Cape Lambert to increase its interest in Pinnacle Group Assets Limited to greater than 90%;**
- **Pinnacle's key assets are the Kukuna iron ore project located in Sierra Leone and the Sandenia iron ore project, located in the Republic of Guinea;**
- **Cape Lambert currently holds 47.4% of Pinnacle following the conversion of loan funds (as at 31 March 2011) into equity;**
- **In acquiring an additional 42.8% of Pinnacle, the total consideration to be paid will be A\$65.3 million satisfied in cash and Cape Lambert shares; and**
- **The deemed issue price of Cape Lambert shares will be A\$0.60 per share, which is a 26.3% premium to the closing share price on 17 May 2011.**

Australian resources and investment company, Cape Lambert Resources Limited (**ASX: CFE**) ("Cape Lambert" or the "Company") is pleased to announce it is to increase its interest in Pinnacle Group Assets Limited ("Pinnacle") to greater than 90%. Pinnacle owns the Kukuna iron ore project located in Sierra Leone ("Kukuna" or "Kukuna Project") and the Sandenia iron ore project located in the Republic of Guinea ("Sandenia" or "Sandenia Project") (refer Figure 1).

Contemporaneously, the Company has elected to convert funds advanced to Pinnacle up to 31 March 2011, under a convertible loan agreement, into shares in Pinnacle ("Pinnacle Shares"), resulting in its interest in Pinnacle increasing from 46.1% to 47.4%.

Cape Lambert Executive Chairman, Tony Sage said "this acquisition will deliver greater than 90% ownership of two potentially large scale iron ore projects in the emerging West African iron ore province, and will expose Cape Lambert shareholders to a conceivably significant value uplift with drilling planned to commence at both Kukuna (June 2011) and Sandenia (September 2011 quarter) in the near term".

Cape Lambert has made an offer to the other Pinnacle shareholders to acquire all of their Pinnacle Shares for a consideration of A\$1.10 per Pinnacle Share ("Offer"). As at the date of this announcement, Pinnacle shareholders representing 42.8% of the Pinnacle Shares have accepted the offer, increasing Cape Lambert's holding to 90.2%.

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  
571,849,603

Unlisted Options  
7,850,000 (\$0.45 exp 30 Sep 2011)

### **Board of Directors**

Tony Sage	Executive Chairman
Tim Turner	Non-executive Director
Brian Maher	Non-executive Director
Ross Levin	Non-executive Director

Claire Tolcon  
Company Secretary

### **Key Projects and Interests**

Marampa Iron Ore Project  
Pinnacle Group Assets  
Sappes Gold Project  
African Iron Limited  
International Goldfields Limited

### **Cape Lambert Contact**

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The Offer for the remaining 9.8% of Pinnacle Shares will expire on Friday, 20 May 2011. Settlement of the acquisition of the Pinnacle Shares is expected to occur on 15 June 2011.

If the Offer is accepted for the remaining 9.8% of Pinnacle Shares, the total consideration will be \$80 million and will be satisfied as follows:

On settlement:

- \$40 million through the issue of approximately 67 million Cape Lambert shares ("Shares") at a deemed price of \$0.60 per Share, which is a premium of 26.3% to the closing Share price on 17 May 2011; and
- \$20 million payable in cash.

Deferred:

- \$20 million payable in cash on or before 31 December 2011.

### **Kukuna Iron Ore Project**

The Kukuna Project is located 120km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence of 68km<sup>2</sup>. The licence is located approximately 70km due north of the Company's Marampa iron ore project and associated infrastructure ("Marampa Project") (refer Figure 1).

The Kukuna licence area covers Archaean crystalline basement, Marampa Group rocks and Jurassic to Cretaceous mafic intrusive rocks. Historic and recent geological mapping, sampling and induced polarisation and airborne geophysical surveys have identified extensive occurrences of specular hematite mineralisation in schists of the Marampa Group covering a large part of the licence. Reconnaissance rock chip sampling of surface outcrops has returned grades of 39 to 55% Fe. The style of mineralisation is very similar to the hematite mineralisation at Marampa to the south where DELCO mined and exported direct shipping ore and iron ore concentrates between 1933 and 1977.

An exploration target size<sup>1</sup> of 1 to 2 billion tonnes ("Bt") at 30 to 35% Fe for hematite schist has been estimated by independent and Cape Lambert geologists. Having regard for the geophysics, geological mapping and rock chip sampling completed at Kukuna, the Company believes, the Kukuna Project has similar potential to the Marampa Project, currently being explored and developed by Cape Lambert.

The Kukuna Project represents an opportunity to define a large resource of hematite schist mineralisation with the potential to develop a standalone mining operation with proposed sea borne access of up to 20Mtpa through the new bulk port at Tagrin, being constructed by a subsidiary of AIM listed, African Minerals Limited (AIM: AMI).

### **Sandenia Iron Ore Project**

The Sandenia Project is located 290km east northeast of Conakry in the central south of the Republic of Guinea and comprises two exploration licences covering 608km<sup>2</sup> (refer Figure 1).

A high resolution, airborne magnetic geophysical survey has been flown over the Sandenia Project area identifying seven (7) zones prospective for iron mineralisation (refer Figure 2). Later regional geological mapping and rock chip geochemical sampling was completed by independent geological consultants, SRK

<sup>1</sup> The estimates of exploration target sizes mentioned in this report should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimates of exploration target sizes are conceptual in nature and there has been insufficient work completed to date to estimate a Mineral Resource reported in accordance with JORC Code (2004) guidelines. Furthermore, it is uncertain if further exploration will result in the determination of a Mineral Resource.

Consulting (Australasia) Pty Ltd ("SRK") in February 2011 identifying two distinct geological units. The oldest and most extensive area comprises Archaean granite and gneiss of the Dabola Complex overlain by Proterozoic greenstones and magnetite quartzites of the Cambouli Group. The Cambouli Group rocks are metamorphosed to upper amphibolite granulite facies and are strongly deformed. The Cambouli Group rocks host the 3.7 Bt Kalia I and II iron ore mineral resources (collectively Kalia) owned by Bellzone Mining plc located approximately 15km north of Sandenia (refer Figure 1).

During regional mapping SRK noted that the particle size of the quartz and magnetite components in the Banded Iron Formation ("BIF") often exceeded 2mm due to the high-grade of metamorphism. SRK collected and analysed 27 rock chip samples of BIF. Most samples were weathered with part of the original magnetite altered to martite and other secondary iron oxide minerals. Total iron results ranged from 9.65 to 48.5% Fe with an average of 35.9% (refer to ASX Announcement dated 11 April 2011).

All samples showed low phosphorus and sulphur contents (average 0.05% P and 0.006% S). Deep tropical weathering has also resulted in development of an oxidised iron cap of an as yet uncertain thickness over the mapped BIF targets.

Prospect-scale mapping and sampling of the priority exploration targets at Sandenia is planned to commence in the June 2011 quarter to enable design of a first-pass drilling program currently scheduled to commence in the second half of 2011.

Yours faithfully  
Cape Lambert Resources Limited

**Tony Sage**  
**Executive Chairman**

**Competent Person:**

*The content of this announcement relating to exploration results and mineral resources is based on information compiled by Jason Froud, a Member of the Australasian Institute of Mining and Metallurgy. Mr Froud is a consultant to Cape Lambert Resources 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 Froud consents to the inclusion in this announcement of the matters compiled by him in the form and context in which they appear.*





