

Cape Lambert supports Exxaro's takeover offer for African Iron

Key points:

- **Exxaro Resources Limited to make a takeover offer for African Iron Limited at A\$0.51 cash per African Iron share, which will be increased to A\$0.57 per African Iron share if Exxaro acquires 75% of African Iron;**
- **Cape Lambert enters into a pre-bid agreement with Exxaro agreeing to accept the takeover offer in respect the portion of its shareholding which equates to 19.99% of African Iron;**
- **Acceptance of the takeover offer in respect of all African Iron shares held by Cape Lambert will result in Cape Lambert receiving A\$72.2million (based on A\$0.57 per African Iron Share), which generates an approximate 209% return on its investment ; and**
- **Cape Lambert to retain a A\$1 per tonne royalty in the Mayoko Iron Ore Project from the original sale agreement with African Iron.**

Australian resources and investment company, Cape Lambert Resources Limited (**ASX: CFE**) ("Cape Lambert" or the "Company"), notes the recent announcement released by African Iron Limited (**ASX: AKI**) ("African Iron") advising the intention by Exxaro Australia Iron Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited, ("Exxaro") a South African-based mining group listed on the Johannesburg Stock Exchange, to make off-market takeover bids for the ordinary shares of African Iron ("Takeover Offer") and for the listed options of African Iron.

Pursuant to the terms of the Takeover Offer, Exxaro will offer African Iron shareholders consideration of A\$0.51 cash for each African Iron share ("Initial Offer Price"). Exxaro has announced that it will vary the Takeover Offer to increase the offer price to A\$0.57 per African Iron share ("Increased Offer Price") if Exxaro acquires a relevant interest in at least 75% of African Iron shares (on a fully diluted basis). Subject to the Takeover Offer becoming, or being declared, free from all conditions and the 75% relevant interest level being reached, all African Iron shareholders who accept the Takeover Offer will be paid A\$0.57 for each African Iron share regardless of whether they accept before or after that 75% acceptance level is reached.

The Company advises that it has entered into a pre-bid acceptance agreement with Exxaro pursuant to which the Company has agreed to accept the Takeover Offer in respect of 100,315,473 African Iron shares, representing 19.99% of the issued capital of African Iron, held by the Company ("Pre-Bid

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
688,108,792

Unlisted Options
8,800,000 (\$0.45 exp 30 Nov 2012)

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
African Iron Limited
International Goldfields Limited

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Agreement”) within 5 days of the offer opening (unless a higher competing bid is announced before such time).

Cape Lambert currently has a relevant interest in 126,700,000 African Iron shares, representing 25.25% of the issued capital of African Iron. The Pre-Bid Agreement does not apply to the African Iron Shares held by the Cape Lambert in excess of 19.99% of the issued capital of African Iron (being a further 5.26%). Subject to any superior offer being made for African Iron shares during the currency of the Takeover Offer, the Company intends to accept the Takeover Offer in respect of the African Iron shares not covered by the Pre-Bid Agreement (being 26,384,527 African Iron shares).

Cape Lambert will be entitled to receive A\$0.57 per African Iron share should the Increased Offer Price under the Takeover Offer apply.

The Company acquired DMC Mining Limited (“DMC Mining”), the holder of a then 80% interest in the Mayoko Iron Ore Project in the Republic of Congo (“Mayoko Project”), for A\$32.4million via an off market takeover bid in August 2010.

The Company subsequently sold DMC Mining to Stirling Minerals Limited (later renamed African Iron Limited) in January 2011 in consideration for:

- 120,000,000 African Iron shares, which were escrowed for a period of 12 months from the date of issue;
- A\$47 million cash; and
- a royalty of A\$1 per tonne of iron ore shipped (whether direct shipping ore (**DSO**), beneficiated DSO or magnetite concentrate) from the Mayoko Project.

Since the completion of the sale of DMC Mining to African Iron, Cape Lambert has acquired an additional 6,700,000 African Iron shares through on-market purchases, resulting in the Company holding 25.25% of African Iron.

Acceptance of the Takeover Offer in respect of all the African Iron shares held by the Company will result in Cape Lambert receiving A\$72.2 million (based on A\$0.57 per African Iron share), which together with the A\$47 million cash received when the Company sold DMC Mining to African Iron, will generate a return of approximately 209% on the Company’s cash investment in DMC Mining and African Iron of A\$38.6 million.

Commenting on the AKI Takeover Offer and the Pre-Bid Agreement with Exxaro, Cape Lambert Chairman, Mr Tony Sage, said:

“As a board we feel the price offered by Exxaro for the African Iron shares represents a significant premium to the current trading levels of African Iron and as such, is an opportunity for Cape Lambert and its shareholders to generate a considerable return on its original investment.”

“The decision to agree to accept the Takeover Offer was not taken lightly, given our belief in the Mayoko Project, however we felt that to do so at this time would allow us to realise a significant return and at the same time generate sufficient funds to rapidly increase the exploration and development activities across our existing suite of iron ore assets in West Africa and in line with the Company’s business model, the Board will consider whether it is appropriate to make a return to shareholders.

“We will retain an exposure to the development of the Mayoko Project through our royalty of A\$1 per tonne of iron ore shipped (whether DSO, beneficiated DSO or magnetite concentrate) from the Mayoko Project.”

Cape Lambert retains considerable iron ore exploration and development assets in West Africa, including:

- Marampa Iron Ore Project (Sierra Leone);
- Kukuna Iron Ore Project (Sierra Leone); and
- Sandenia Iron Ore Project (Guinea).

Together with the Company’s recent sale of the Sappes Gold Project for AU\$46.5million, the receipt of A\$72.2 million pursuant to the Takeover Offer will result in the Company holding in excess of A\$230 million in cash, receivables¹ and other liquid assets.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

¹ Includes an \$80 million receivable, the recovery of which is subject to legal action the Company has taken against China Metallurgical Group Corporation.