

## Receipt of Notice of Amended Tax Assessment and associated Penalty Notice

Cape Lambert Resources Limited (ASX: **CFE**) (**Cape Lambert** or the **Company**) advises that it has received a Notice of Amended Assessment from the Australian Taxation Office (**ATO**), together with an associated Penalty Notice<sup>1</sup> (**Amended Assessment**).

The Amended Assessment results from an audit by the ATO as referred to in the Company's 31 December 2011 half yearly report, and relates specifically to the belief of the ATO:

- that tax should have been paid on the contingent proceeds arising from the transaction in which the Company sold its Cape Lambert Iron Ore Project in August 2008 to MCC. The Company has not received the contingent proceeds from MCC and these contingent proceeds are currently the subject of legal action (refer to ASX Announcement dated 2 May 2012);
- that the Company recognised a tax deduction resulting from the acquisition of the CopperCo Group of assets completed in June 2009, which the Commissioner believes should have been recognised in a later year rather than the 2009 year (i.e. the deduction is a valid deduction but was recognised in 2009 rather than a later year) (**CopperCo Deductions**). In the event that the ATO's belief is upheld, the Company can utilise the CopperCo Deductions in future years; and
- a shortfall interest charge and penalty apply.

On a non-cash basis, the net Amended Assessment amount (i.e. Amended Assessment minus the CopperCo Deductions which remain as an available future tax deduction), is \$25,707,944 (excluding penalties).

Commenting on the issuing of the Notice of Amended Assessment and associated Penalty Notice, Cape Lambert Executive Chairman, Mr Tony Sage, said, "Cape Lambert has taken significant steps to proactively engage with the ATO and I am pleased to confirm that the ATO is committed to working with us to resolve this matter."

Together with its tax and legal advisors, Cape Lambert will be meeting with an ATO Assistant Commissioner on 29 May 2012 (**ATO Meeting**), at which time a path to resolution is expected to be determined and the Company is optimistic of reaching a reasonable outcome.

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  
689,108,792

Unlisted Options  
7,800,000 (\$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  
International Goldfields Limited

### Cape Lambert Contact

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<sup>1</sup> Refer Appendix 1 for full details of Amended Assessment and associated Penalty Notice

On the basis the parties are proactively looking to resolve the matter, the ATO has agreed to suspend collection activity arising from the issue of the Amended Assessment for 30 days during this mediation process.

The Company sought independent and professional advice at all times in the forming of its tax opinion which is the subject of the Amended Assessment.

Given the nature of discussions that will take place between now and the ATO Meeting in respect to the Amended Assessment, Cape Lambert's securities will be suspended from trading until after the ATO Meeting. The Company will continue to update shareholders on this issue.

Yours faithfully  
Cape Lambert Resources Limited

Tony Sage  
**Executive Chairman**

## **Appendix 1: Details of Amended Assessment and associated Penalty Notice**

The Notice of Amended Assessment and associated Penalty Notice are represented by:

- Amended Assessment of \$66,965,897:
  - \$41,257,953 tax payable relating to Cape Lambert's June 2009 acquisition of the Lady Annie Project (Mt Isa) and joint venture interest in the Lady Loretta Project (Mt Isa). The underlying tax deduction will be fully deductible for tax purposes in future years (i.e. this is a timing issue).
  - \$16,384,762 tax payable relating to contingent proceeds arising on Cape Lambert's August 2008 disposal of the Cape Lambert Iron Ore Project. In September 2010, Cape Lambert commenced legal action to recover these contingent proceeds and this litigation remains ongoing. If any amount of these contingent proceeds is not subsequently received, this will give rise to a future tax deduction or a tax loss.
  - \$9,323,182 relates to shortfall interest charge.
- Penalty Notice of \$28,821,357 is entirely penalty taxes that relate to the Amended Assessment.