

MARAMPA - 15MTPA SCOPING STUDY DEMONSTRATES ROBUST PROJECT ECONOMICS

Key Points:

- A 15Mtpa Scoping Study to align the concentrate transport solution with the Infrastructure Agreement with African Minerals Limited for a standalone, open pit mining development at Marampa is now complete.
- Stage 1 concentrate production is planned at 2.5Mtpa, with a Stage 2 expansion increasing concentrate production to 15Mtpa with an overall mine life of 15 years.
- Capital investment for Stage 1 is estimated at US\$435 million and US\$1,927 million for Stage 2.
- Stage 1 operating costs are estimated at \$45 per tonne of concentrate FOB, with an average life of mine operating cost of \$46 per tonne of concentrate FOB.
- The Scoping Study Base Case has returned robust financial metrics including an ungeared (100% equity) after tax NPV_{10%} of US\$1.56 billion, an internal rate of return of 26.2% and after tax cash flows of US\$5.99 billion.

Australian resources company Cape Lambert Resources Limited (ASX: **CFE**) (**Cape Lambert** or the **Company**) is pleased to announce the results of its 15Mtpa Scoping Study for its 100% owned Marampa iron ore project located in Sierra Leone, West Africa, refer Figure 1 (**Marampa Project** or **Marampa**).

The 15Mtpa Scoping Study, which evaluates an increase in concentrate production from the previously evaluated 10Mtpa Scoping Study (refer ASX Announcement 20 September 2011), was prepared by independent, engineering group Bateman Engineering Pty Ltd (**Bateman**), with contributions from supporting specialist consultants.

This 15Mtpa Scoping Study aligns the transport solution for Marampa with the terms of the infrastructure agreement between the Company's wholly owned subsidiaries Marampa Iron Ore (SL) Limited and Marampa Iron Ore Limited and African Minerals Limited (**AML**) and its majority owned subsidiary African Railway & Port Services (SL) Limited (refer ASX Announcement 16 April 2012) (**Infrastructure Agreement**).

The Infrastructure Agreement provides Marampa with access rights to export 2Mtpa (wet - equivalent to 1.8Mtpa dry) of concentrate via the recently refurbished and currently operational Pepel rail and port infrastructure. Marampa will also have the opportunity to export a further 16.5Mtpa (wet - equivalent to 15.2Mtpa dry) of concentrate through the proposed Tagrin deep water port when it becomes operational, with transport to Tagrin via Marampa's own concentrate pipeline. Additionally, AML has an option to purchase 2Mtpa (wet) of Marampa concentrate at mine gate for the first 3 years of production.

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

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The 15Mtpa Scoping Study was based on exploiting the 680 million tonne JORC compliant mineral resource (refer ASX Announcement 7 July 2011) and showed that 82% of the resource can be mined to produce high-grade hematite concentrate over a 15 year mine life. Mining in Stage 1 will focus on the shallow, soft, higher grade, oxide material (32%-36% Fe), which enables lower Free on Board (**FOB**) operating costs in the early years of operation.

The 15Mtpa Scoping Study is based on establishing a standalone open pit mining operation, with a wet, high intensity magnetic separation concentrator (**WHIMS**) and associated infrastructure, initially at a production rate of 2.5Mtpa of high-grade hematite concentrate (Stage 1) and expanding to 15Mtpa (Stage 2) within two years after Stage 1 production commences.

Recent metallurgical testwork on composite samples from the resource deposits have confirmed that high iron recoveries ($\geq 86\%$) are achievable to produce a high quality hematite concentrate grading $\geq 65\%$ Fe with low levels of silica ($\leq 3\%$), alumina ($\leq 1\%$), phosphorus ($< 0.01\%$), and sulphur ($< 0.01\%$).

The key Life of Mine statistics for the 15Mtpa Scoping Study are shown in Table 1.

Table 1: Key Life of Mine Statistics from 15Mtpa Scoping Study

Parameter	Units	Stage 1	Stage 2	Total
Mine Life	years	1.5	13.5	15
Mining				
Waste Mined	Mt	15	663	678
Ore Mined	Mt	20	515	535
Waste to Ore Ratio		0.76	1.29	1.27
Average Feed Head Grade	% Fe	35.2	27.1	27.2
Processing				
Concentrate Produced	Mt	3.8	202.4	206.1
Mass Recovery	%	51.4%	38.3%	38.5%
Capital Cost	\$'M	435	1,927	2,362
Capital Intensity	\$/t Conc.	174	143	157
Unit Operating Cost	\$/t ore	13.10	18.22	17.74
Unit Operating Cost	\$/t Conc.	45.01	46.38	46.08

Note all references to currency are in \$US.

Financial modelling for the 15Mtpa Scoping Study was undertaken by independent consultant, Southern Mining Consultants, with the fiscal regime applied to Marampa being similar to that applied to other Sierra Leone iron ore projects and includes a corporate tax rate of 25%, royalties totalling 3.2% and accelerated depreciation and amortisation of capital expenditure. The financial metrics were modelled on three iron concentrate sale prices, namely \$US95, \$US100 and \$US105 per tonne of concentrate FOB Freetown, Sierra Leone. The key financial metrics of the 15Mtpa Scoping Study for the three concentrate sale prices are summarised in Table 2.

The Scoping Study Base Case (at \$US100/t FOB sale price) returned robust financial metrics including an ungeared (100% equity) after tax NPV_{10%} of US\$1.56 billion, an internal rate of return of 26.2% and after tax cash flows of US\$5.99 billion.

Pursuant to the terms of the Infrastructure Agreement, AML has an option to purchase 1.84Mtpa of concentrate from the Marampa mine gate (**Mine Gate Sales**) for the first 3 years of operation. If this

option is exercised then the financial metrics improve to an after tax NPV_{10%} of US\$1.65 billion, an internal rate of return of 28.5% and after tax cash flows of US\$5.95 billion.

A Fast Track development option was also evaluated by Bateman, which would enable production to commence 1 year earlier than that proposed in the 15Mtpa Scoping Study and would improve the Base Case after tax NPV_{10%} to US\$1.69 billion and the Mine Gate Sales after tax NPV_{10%} to US\$1.82 billion.

Table 2: Key Financial Metrics from 15Mtpa Scoping Study

Description	Unit	Concentrate Sales Price, FOB Sierra Leone		
		US\$95 / t	US\$100 / t	US\$105 / t
Base Case				
Net Cashflow	\$M	5,237	5,990	6,744
Maximum Working Capital	\$M	1,867	1,813	1,760
¹ NPV _{10%}	\$M	1,279	1,563	1,846
¹ IRR	%	23.5	26.2	28.8
Mine Gate Sales Case				
Net Cashflow	\$M	5,199	5,951	6,702
Maximum Working Capital	\$M	1,749	1,684	1,619
¹ NPV _{10%}	\$M	1,359	1,651	1,942
¹ IRR	%	25.5	28.5	31.4

¹ The NPV_{10%} and IRR figures are after tax and royalties are paid. Note all references to currency are in \$US.

The Company continues to assess its options for the divestment of Marampa including an outright trade sale and equity investment options from interested parties. Additionally, all of the documentation required to list Marampa on the Alternative Investment Market in London is sufficiently advanced, that should favourable conditions return to capital markets then an initial public offering could be progressed at short notice.

The Company's Executive Chairman Mr Tony Sage said "While the current iron ore price is not as buoyant as it was in 2011, we are confident that in late 2012/13 we will see a recovery. The results of the 15Mtpa Scoping Study have demonstrated that even at an FOB sales price of \$95/t, Marampa is an extremely robust project that will deliver benefits for our shareholders, external stakeholders and our hosts, the government of Sierra Leone."

He further added "Cape Lambert has progressed divestment discussions with a number of interested parties, both in terms of a potential trade sale and with possible equity investors."

Yours faithfully
 Cape Lambert Resources Limited

Tony Sage
Executive Chairman

Figure 1: Marampa Project Location



Competent Person:

The contents of this Announcement relating to Mineral Resources and Ore Reserves are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Cape Lambert and has sufficient experience relevant to the style 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 Frederickson consents to the inclusion in this Announcement of the matters compiled by him in the form and context in which they appear.