Marampa and Company Update

Key Points:

- **Mining licence application for Marampa ready for lodgement**
- **Infrastructure agreement to be finalised within 2 weeks**
- **Recent London Mining development improve economics of Marampa**
- **Tewoo buys US$990 million stake in African Minerals Tonkolili project in Sierra Leone (valuing project at ~$6b)**
- **Executive Chairman signs new 3 year consultancy contract**
- **Non Cash asset impairment – 2013 Financial Year**

Australian resources and investment company, Cape Lambert Resources Limited (**ASX: CFE**) ("Cape Lambert" or the "Company") is pleased to provide the market with an update on its 100%-owned Marampa iron ore project in Sierra Leone, West Africa ("Marampa Project"), together with confirmation of a new three year contact for the executive chairman and non-cash impairment for the 2013 financial year.

Mining Licence Application

The Company advises that the large scale mining licence application for its flagship Marampa Project, the final step in the permitting process, is ready for lodgement. This follows the granting of its environmental licence earlier this year (refer to ASX announcement dated 13th May 2013).

Cape Lambert Executive Chairman Tony Sage said the mining licence, once granted, would significantly de-risk the project and adds considerable value from a potential investor's perspective by clearing the way for immediate development of the project.

"The granting of the mining licence represents the final step in the permitting process toward progressing the Marampa project to eventually become Sierra Leone's third iron ore producer," he said.

"Marampa has proven itself to be a financially robust project. The granting of the mining licence will significantly enhance the asset's appeal to potential buyers and in turn create considerable value for our shareholders."

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
676,191,942

Unlisted Options
10,675,000 ($0.29 exp 22 Nov 2013)

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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Cape Lambert is actively seeking a buyer for an equity stake in the Marampa Project, which is located 90km northeast of Freetown in Sierra Leone, West Africa.

The project comprises two granted exploration licenses (EL46A/2011 – 239.18km^2 and EL46B/2011 – 66km^2 (formerly E46/2011 – 305.18km^2) held by Marampa Iron Ore (SL) Limited ("MIOL"), which is indirectly a wholly owned subsidiary of Cape Lambert.

Marampa has a total JORC Mineral Resource of 681 Million tonnes ("Mt") at 28.2% Fe (above a cut-off grade of 15% Fe) covering four deposits (Gafal, Matukia, Mafuri and Rotret) (refer to ASX announcement 7 July 2011).

Infrastructure Agreement

Cape Lambert also advises that the Infrastructure Agreement with AIM-listed African Minerals Limited (AIM: AML) ("African Minerals") should be finalised within the next two weeks ("Infrastructure Agreement").

The Infrastructure Agreement with African Minerals provides a clear bulk commodity transportation strategy for the Marampa Project.

The agreement gives access rights to export 2Mwtpa (wet – equivalent to 1.8Mtpa dry) of concentrate via the recently refurbished and currently operational Pepel rail and port infrastructure (refer to ASX announcement 16th April, 2012). Additionally, African Minerals has an option to purchase 2Mwtpa of Marampa concentrate at mine gate for the first 3 years of production.

In December 2012, African Minerals announced that it was no longer building the port of Tagrin, but would expand its operations at Pepel (refer to ASX announcement dated 19th April 2013). As a result of this, the parties have been finalising a revision to the binding heads of agreement in a full form Infrastructure Agreement.

African Minerals announced on 26 September 2013 that the company had entered into a Memorandum of Understanding with Tianjin Materials and Equipment Group Corporation ("Tewoo") over its Tonkolili Project in Sierra Leone. Tewoo will pay US$990 million to African Minerals for a 16.5% strategic stake in Tonkolili.

African Minerals and Tewoo also have a 20 year offtake agreement and joint venture to blend and market the iron ore through Tiajin's ports. Tewoo is one of the largest export and import businesses in China and its investment underpins the US$6 billion valuation of the Tonkolili Project, and the potential of iron ore in the West African region.

Infrastructure Advantage

Its strategic location close to African Minerals' Pepel rail and port infrastructure means that the Marampa Project has a significant advantage over other iron ore projects in the country, and enables a shorter development schedule once an investment decision is made.

A recent research report by London-based brokerage Ocean Equities available on its website (in full) at www.oceanequities.co.uk stated the importance of having a clear bulk commodity infrastructure strategy in place for iron ore projects in Africa.

"In our view the majority of African iron ore projects will not be developed. For an African iron ore project to have the potential to be developed we believe that either the deposit needs to have access

to existing bulk commodity infrastructure (quite rare in Africa), or the developer needs to have a bulk commodity infrastructure development strategy (including a financing strategy) in place, and infrastructure partners committed to assist with developing the port and rail."

Cost advantages

Commenting on the West African iron ore sector, Mr Sage said the region has clear advantages over global markets and is considered very cost competitive compared to more high-profile iron ore jurisdictions.

"High labour, energy and transport costs have made mining projects in other iron ore regions very expensive to develop," he said.

"Once in production, higher operating costs in other regions make iron ore less competitive than iron ore produced in West Africa where operating costs are considerably less. Because of this advantage, West Africa will remain of high interest to China as it searches for long-term sources of iron ore outside of Brazil and Australia."

These cost advantages are clearly evident from recent studies released for iron ore projects in the region.

A life of mine ("LOM") study released by AIM-listed London Mining PLC (LON: LOND) on 25 September 2013 demonstrated significant cuts to operating costs and production improvements for its Marampa mine ("Marampa mine"), which lies adjacent to Cape Lambert's Marampa Project.

A definitive feasibility study to determine the cost and operating parameters for Marampa mine showed that the current operation can be expanded to 6Mdmt/a in 2014 through the investment in additional beneficiation capacity for an estimated capital cost of approximately US$40 million.

London Mining's capital expenditure programme to extend the mine life at the increased production rate of 6Mdmtpa is now planned to begin in 2015 for a capital cost of US$240 million (-10%/+15%), including a US$44 million contingency provision.

According to the study, the incremental expansion and other initiatives identified by the study will see a reduction in average operating costs to US$42/dmt – US$45/dmt over the life of mine.

ASX-listed Equatorial Resources Ltd (ASX: EQX) recently released a positive scoping study that evaluated a 2Mtpa operation using existing port and rail infrastructure for its 100% owned Mayoko-Moussondji Iron Project ("Mayoko-Moussondji") in the south-west of the Republic of Congo.

The study showed the project had competitive operational cost of US$41 per tonne, total capital cost (mine, rail and port) of US$231 million and a short timeframe to production of 15 months from Final Investment Decision.

South Africa's Exxaro Resources (JSE: EXX) is the one of the companies next in line to transition in to production. Exxaro made its first entry in to the West African iron ore sector in 2012 with the acquisition of the Mayoko Lekoumou project ("Mayoko Lekoumou") in the Republic of Congo, and is targeting production in the second half of 2014.

Exxaro has since increased the JORC compliant resource at Mayoko Lekoumou from 121Mt @ 45.8% iron to 730Mt. The company has since modelled an initial 2Mtpa operation at the project with a total capital cost of A$338 million, and currently investigating the potential for expansion to 10Mtpa by 2017.

Executive Chairman Signs New 3 year Contract

The Company has today signed a new three year term consultancy contract with Executive Chairman Tony Sage following the expiration of his previous consultancy contract.

The Cape Lambert Remuneration Committee ("Remuneration Committee") considered the concerns raised by shareholders at the Annual General Meeting in November 2012 in respect to the Company's 2012 Remuneration Report and has taken these into account in the formation of Mr Sage's new consultancy contract. As such the Company confirms the key terms of the Executive Chairman's new agreement with the Company as:

- three year term (effective from 28 August 2013) consultancy contract to provide the services of Executive Chairman of the Company and specific responsibility for all negotiations and strategic networking to facilitate the acquisition and disposal of assets of the Company;
- set fee of $700,000 (plus GST) per annum to be reviewed annually by the Remuneration Committee; and
- 3 month termination notice (or payment in lieu of notice, subject to the Corporations Act and Listing Rules), without cause, for either party.

The contract does not contain any fixed formula under which any incentives or bonuses are payable by the Company to Mr Sage. During the term of the contract, the Remuneration Committee may consider incentive plans and bonus structures that will be focussed on Mr Sage achieving performance hurdles based on a material increase in net market capitalisation of the Company and returns to shareholders of the Company, such as dividends. The Remuneration Committee acknowledges the importance of aligning the interests of Cape Lambert's shareholders with those of the Executive Chairman and will only consider implementing incentive plans or bonuses that directly benefit Cape Lambert shareholders and will not be payable based on the Executive Chairman's time, efforts or achievement of non-financial targets.

Furthermore, total remuneration for Cape Lambert staff members has been reduced this current financial year and directors will not receive any share options at the Annual General Meeting in November 2013.

Non Cash Asset Impairment – 2013 Financial Year

The Company advises that as a result of impairment testing as part of the preparation of the financial statements for the year ended 30 June 2013, it will book a non-cash impairment charge of $119,940,673, which includes impairment of exploration assets of $107,523,191, in its accounts for the year ended 30 June 2013.

The impairment follows a review of the carrying value of exploration projects as part of the preparation of the 2013 financial statements. The impairment is predominantly a consequence of the accounting values attributed to exploration assets acquired between 2009 and 2011 in Sierra Leone and Guinea and where the Directors have assessed that the carrying amount of these exploration and evaluation assets are unlikely to be recovered in full from successful development or by sale.

The impairments of the Company's projects are as follows:

- Kukuna - $93,041,720;
- Sandenia - $9,264,389; and
- Other projects - $5,217,082.

The impairment charges are non-cash in nature and therefore do not impact the Company's cash position.

The financial statements for the year ending 30 June 2013 are to be released prior to the end of September 2013. Further details on impairment will be provided in the financial statements.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

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.