

CFE TO LIFT STAKE IN MARAMPA IRON ORE PROJECT TO 100% THROUGH AUD\$31M SCRIP DEAL

Key Points:

- **Cape Lambert reaches agreement with AIM listed, African Minerals Limited to increase its stake in the Marampa iron ore project in Sierra Leone from 35% to 100%;**
- **Cape Lambert to issue African Minerals 57,162,723 shares in the Company (in two tranches);**
- **Post transaction African Minerals will hold a 19.90% interest in Cape Lambert; and**
- **Cape Lambert advancing exploration and evaluation work programs at Marampa.**

Australian resources and investment company, Cape Lambert Resources Limited (**ASX: CFE**) ("Cape Lambert" or the "Company") has entered into an agreement to increase its stake in the Marampa iron ore project ("Marampa Project"), located in Sierra Leone, West Africa, from 35% to 100% through an all scrip deal with AIM listed, African Minerals Limited ("African Minerals") valued at approximately AUD\$31M.

Under the terms of the transaction, Cape Lambert will issue African Minerals 57,162,723 fully paid ordinary shares in the capital of the Company, thereby taking African Minerals' interest in the Company to 19.90%.

The issue of shares to African Minerals will be done in two tranches;

- 24,569,934 shares to be issued at time of settlement; and
- 32,592,789 shares to be issued subject to Cape Lambert shareholder approval.

On 1 October 2008, the Company formalised an agreement with African Minerals for a 30% investment in the Marampa Project.

Under the terms of the agreement, Cape Lambert paid an initial scrip consideration of 44 million fully paid ordinary shares, committed to sole fund US\$25 million towards a feasibility study, and assumed management of the Marampa Project. The Company was also granted an option to acquire the Marampa Project for US\$200 million less the value of scrip issued and feasibility study expenditure incurred to the date of exercising the option (see ASX announcement dated 1 October 2008).

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
536,619,804

Unlisted options (30 June 2010)
8,350,000

Unlisted options (31 Oct 2010)
28,000,000

Board of Directors

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

Eloise von Puttkammer
Company Secretary

Key Projects and Interests

Lady Annie Copper Project
Sappes Gold Project
DMC Mining Limited
Corvette Resources Limited

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On 22 January 2009, Cape Lambert increased its investment in the Marampa Project to 35% with payment of a further scrip consideration of 17 million shares, following results of the initial work program at the project (see ASX announcement dated 22 January 2009).

The Company recently completed a stage one, reconnaissance diamond drilling program at the Gafal West prospect designed to elucidate the structure, thickness and grade of the hematite schist mineralisation. To date 3,420m in eight (8) holes have been drilled and half diamond core has been dispatched to Australia for head grade analysis and metallurgical test work. First assay results are expected in early 2010.

Planning of exploration for 2010 is well advanced with ground work on two (2) further drill targets underway and additional ground geophysical surveys scheduled to generate new targets. The ground work includes detailed trenching and geological mapping at the Matukia prospect, in preparation for commencement of reconnaissance diamond drilling early in 2010. The Company is currently evaluating submissions from a number of drill contractors for the 2010 drill programs, with Cape Lambert targeting 1 Billion Tonnes in the hard rock.

The Marampa Project has reduced barriers to entry compared to "Greenfields" iron ore projects through its connection by an 84km railway to an existing deep water port, stockpiling and ship loading facility located at Pepel ("Rail and Port Infrastructure"). Cape Lambert has a right of access to the Rail and Port Infrastructure, which is currently leased for 99 years from the government of Sierra Leone by African Minerals.

"Moving to 100% ownership of the Marampa Project, with key infrastructure already in place, ideally positions Cape Lambert shareholders to receive the full project value that can be unlocked through our exploration and evaluation work programs" said Cape Lambert Executive Chairman Mr Tony Sage.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman