

» Chairman's Letter



Dear Shareholders,

The 2010-2011 financial year has been another successful and eventful year for Cape Lambert Resources Limited ("Company").

We have continued to follow our successful business strategy of acquiring and investing in assets that are distressed or undervalued with a view to monetise them at a multiple, whilst retaining exposure to the disposed asset through a production royalty and/or equity interest and distributing surplus cash to shareholders. The Company undertook a number of acquisitions and disposals in the past financial year, a direct return to shareholders of a \$43.8million fully franked dividend in July 2010, and an indirect return to shareholders of \$31.9million by way of an on-market share buy-back.

A key transaction was the 100% takeover of DMC Mining Ltd ("DMC") in August 2010, the holder of a then 80% interest in the Mayoko Iron Ore Project in the Republic of Congo for \$32.4million, which was subsequently followed by the backdoor listing of DMC into African Iron Limited ("African Iron"). In consideration for the sale of DMC, the Company received \$47million cash, 120 million African Iron Shares (equating to 25% of African Iron) and a production royalty of \$1 per tonne of iron ore shipped from the Mayoko Iron Ore Project.

Another significant acquisition made by the Company throughout the financial year was the increase of its interest in Pinnacle Group Assets Limited ("Pinnacle") to 90% in June 2011, and subsequently to 100% in September 2011. Pinnacle owns the Kukuna Iron Ore Project located in Sierra Leone and the Sandenia Iron Ore Project located in the Republic of Guinea. The Company further increased its strategic portfolio of West African assets by identifying and applying for a land package prospective for iron ore known as the Rokel Iron Ore Project, located in Sierra Leone. This project covers the vast land corridor extending from the Company's Marampa to Kukuna projects'.

Further realisation of assets acquired as part of the CopperCo transaction was achieved by the Company disposing of its 25% interest in the Lady Loretta project for \$30million, taking the cash generated from the sale of the CopperCo assets to \$205million with a number of assets remaining as potential sale opportunities.

One of our main focuses has been on the exploration and development of the Marampa Iron Ore Project in Sierra Leone with a view to ultimately crystallising shareholder value through a trade sale to a strategic group capable of funding the development of the project or an initial public offering. The Company has defined a total Indicated and Inferred Mineral Resource of 680Mt at 28.2% Fe, representing an increase of 245% over the maiden Mineral Resource announced in November 2010. Our continued aim for the forthcoming financial year is to sell down our interest and to raise new money for project development for the benefit of shareholders and our Sierra Leonean stakeholders.

I encourage you to read the summary of the other key acquisitions, disposals and transactions throughout the 2010/2011 financial year which are set out in the review of operations section of this Annual Report.

I would like to thank you for your continued support and look forward to sharing another successful year with you.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Tony Sage', written over a light blue circular background.

Tony Sage
Executive Chairman