

06 January 2010

African Minerals Limited

("African Minerals", "AML" or "the Company")

AML signs conditional strategic agreement with a large Chinese corporation

African Minerals Limited (AIM: AMI), the mineral exploration and development company with significant iron ore and base metal interests in Sierra Leone, West Africa, is pleased to announce it has entered into a conditional strategic agreement (the "Conditional Agreement") with China Railway Materials Commercial Corporation ("CRM") in respect of AML's flagship iron ore project at Tonkolili and the related infrastructure projects (together the "Project").

Conditional Agreement Highlights

Pursuant to the Conditional Agreement and subject to due diligence by CRM, the parties expect to execute on or around 31 March 2010 definitive agreements for long term iron ore off-take, an investment by CRM in the Company (the "Investment Agreement") and the procurement of equipment and services relating to the Project.

- Pursuant to the Conditional Agreement and subject to due diligence by CRM, CRM will enter into two long-term off-take agreements with AML, both for a minimum of 20 years, with an option to extend for a further five years, for iron ore production from Tonkolili. Under the off-take agreements:
- CRM will purchase between five and eight million tonnes per annum of hematite iron ore from AML's first stage of production at Tonkolili for a minimum of 20 years, expected to commence by 2011.
- CRM will also purchase a minimum of 10 million tonnes per annum of magnetite iron ore production from AML's second stage of production at Tonkolili for a minimum of 20 years, expected to commence by 2013.
- CRM will subscribe for approximately 30.5 million new common shares of AML at £5.00 per share, for a cash consideration of approximately £152.6 million representing 12.5% of the enlarged issued share capital. The funds will provide the majority of the funding expected to be required for AML's first phase of iron ore production.
- CRM will be appointed to procure equipment and services for the Project.

Commenting on the Conditional Agreement, Alan Watling, Chief Executive Officer of African Minerals said:

"African Minerals welcomes the signing of this Conditional Agreement with CRM, one of China's large-scale state owned enterprises and one of China's largest steel trading companies.

We expect that this strong and strategic relationship with CRM will help underwrite Tonkolili's start-up hematite production of up to 8 million tonnes per annum by 2011. This, coupled with the parties' agreement to enter into an off-take agreement for a further 10 million tonnes per annum of the magnetite for a minimum of 20 years, should provide AML with a strong foundation from which to secure its funds for its second phase of iron ore production, targeting 45 million tonnes per annum."

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About CRM:

China Railway Materials Commercial Corp. ("CRM"), headquartered in Beijing, is currently a major integrated service provider in the railway industry and one of the top 3 steel traders in China and has long established relationships with each of the Tier One Chinese Steel Mills and other State Owned Enterprises("SOEs").

In 2008, CRM's sales revenue and total assets were 100.2billion RMB (approx \$14.billion) and 26.8billion RMB respectively. For the first 11 month in 2009, CRM 's revenue reached 91.3billion RMB, distributing 5.13 million tonnes of locomotive oil, 1.98 million tonnes of rail, and 11.27 million tonnes of steel, 10.66 million tonnes of coal and 7.3 million tonnes of ores. In 2009, it was ranked 57th among the TOP 500 Chinese Enterprises, 25th in the service industry and 44th amongst the TOP 500 Enterprise Groups.

Its activities involve the manufacturing of railway materials, rolling stocks, rails, and other railway related materials and services in China and overseas. CRM has a large amount of senior professionals specialised in logistics, marketing, research & development, computer application, business administration and financial management.

CRM has a successful history of overseas investment into the Australian iron ore sector.

Background to Conditional Agreement

African Minerals Limited (AIM: AMI), the mineral exploration and development company with significant iron ore and base metal interests in Sierra Leone, West Africa, is pleased to announce it has entered into a conditional strategic agreement (the "Conditional Agreement") with China Railway Materials Commercial Corporation ("CRM") in respect of AML's flagship iron ore project at Tonkolili

and the related infrastructure projects (together the "Project"). Pursuant to the Conditional Agreement and subject to due diligence by CRM, the parties expect to execute on or around 31 March 2010 definitive agreements for long term iron ore off-take, an investment by CRM in the Company (the "Investment Agreement") and the procurement of equipment and services relating to the Project. The Conditional Agreement may be terminated either prior to 31 March 2010 by the parties' mutual consent or by either one or other party if the Investment Agreement is not executed by 31 March 2010.

Under AML's current plans, the development and construction of the Project is to be undertaken in two stages. These preliminary plans are subject to the finalisation of the definitive feasibility study for the Tonkolili project expected during the first part of 2010.

In Stage 1, AML plans to achieve by 2011 an annual production of between 5 and 8 million tonnes per annum (Mtpa) of hematite iron ore products, including the first phase mine development, the upgrade of Pepel Port, the upgrade of the Pepel-to-Lunsar Railway and the construction of a road from Lunsar to Tonkolili, together with auxiliaries required for operations.

In Stage 2, AML plans to achieve an annual combined hematite and magnetite production of up to 45 Mtpa of iron ore products by 2014, including second phase mine development, the construction of a deep-water port at Tagrin, the construction of necessary power facilities and the construction of a heavy haul 200km railway from Tagrin to Tonkolili, together with all associated infrastructure and auxiliaries.

Offtake agreements

Pursuant to the Conditional Agreement and subject to due diligence by CRM, CRM will enter into two long-term off-take agreements with AML, both for a minimum of 20 years, with an option to extend for a further five years, for iron ore production from Tonkolili.

CRM will enter into an offtake agreement in which it will commit to purchasing between five and eight million tonnes per annum of hematite iron ore from AML's first stage of production at Tonkolili for a minimum of 20 years, expected to commence by 2011.

CRM will also enter into an offtake agreement in which it will purchase a minimum of 10 million tonnes per annum of magnetite iron ore production from AML's second stage of production at Tonkolili for a minimum of 20 years, expected to commence by 2013.

The offtake price for both hematite and magnetite will be determined based on a generally accepted international benchmarking price.

Investment Agreement

Under the terms of the Investment Agreement, CRM will subscribe for approximately 30.5 million new common shares of AML at £5.00 per share, for a cash consideration of approximately £152.6 million representing 12.5% of the enlarged issued share capital. The funds will provide the majority of the funding expected to be required for AML's first phase of project development.

The Investment Agreement, which is subject to satisfactory due diligence by CRM, is conditional on an agreed set of representations and warranties being true and accurate at the time of signing, receipt by both parties of all necessary government and regulatory consents, the long-term off-take agreements having been entered into, and there having been no material adverse event affecting AML prior to completion of the Transaction Agreement.

The parties have agreed to negotiate an Investment Agreement in good faith, with a view to its execution by 31 March 2010. Meanwhile CRM will commence due diligence on AML and the Project, a process CRM has agreed to complete by 20 February 2010. Upon completion of the Investment Agreement, CRM will be entitled to one seat on the AML Board.

Supply agreement

CRM will also be appointed a procurement supplier of plant, equipment and facilities to AML, including railway plant and machinery, rolling stock and port-handling plant and equipment. The scope, price and other terms and conditions of supply will be set forth in a separate agreement to be effective upon completion of the Investment Agreement.

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