

2 December 2005

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

**CFE PROSPECTUS REMAINS OPEN AS NEGOTIATIONS FINALISE WITH
MAJOR CHINESE TRADING GROUPS**

Cape Lambert Iron Ore (ASX: CFE) wishes to advise that it has been in negotiations for the past six weeks with two major Chinese trading groups who have expressed an interest in becoming cornerstone investors in Cape Lambert Iron Ore Ltd. These negotiations are nearing completion, with CFE confident that one or both of the two will confirm plans in the coming week.

CFE has received written requests from both parties, Shandong Yuansheng International Trading Co. Ltd and Fujian San'an Group, asking for one week to finalise due-diligence and funding arrangements.

The Board after due deliberation, has agreed to these requests and has extended the closing date of the general offer contained in the prospectus dated 21 November 2005 to 12 December 2005.

The Board is of the view that getting one or both of the Groups involved at this early stage strategically underpins the future of the Cape Lambert Iron Ore project well past the infrastructure stage.

In addition, both Groups have indicated their preference to enter into an off-take agreement for the concentrate produced from the Cape Lambert Iron Ore Project. CFE sees this as an exciting opportunity to potentially guarantee the sale of some or all of the production from the Cape Lambert Iron Ore Project. CFE will keep investors fully informed of any further negotiations in this regard. To expedite matters Mr Tony Sage will be in Beijing next week.

Yours faithfully

Tony Sage
Executive Chairman