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The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

DRILLING PROGRAMME TO COMMENCE AT 2.5 BILLION TONNE CAPE LAMBERT PROJECT: NEW IRON ORE TARGET DISCOVERED

Cape Lambert Iron Ore limited (ASX: CFE)(AIM: CLIO) ("the Company") is pleased to announce plans for a reverse circulation drilling programme at the Cape Lambert Iron Ore Project in the Pilbara region of Western Australia.

The drilling programme, the first by the Company at the project, will commence next month and will comprise of around 25 holes for a total advance of approximately 4000 metres. The programme will be carried out by Drillcorp-Western Deephole, a highly experienced and respected drilling contractor.

The first drilling phase will provide the Company with further data relating to grade and mineral processing characteristics of the known deposit, and will also validate the results of work undertaken by the previous tenement holder, Robe River Mining Pty Ltd ("Robe River").

Some drilling will also be undertaken over the newly discovered highly magnetic area to the west of the current 2.5 billion tonne JORC compliant resource. This area was identified after assessing recently acquired detailed low level aeromagnetic data flow over the project area, carried out by Titan Resources NL in the year 2000 and subsequently interpreted by Southern Geoscience Consultants. This data was not available to the previous landholders Robe River. This large area with strongly enhanced magnetism has the potential to significantly increase the present resource estimate.

This work will allow the Company to progress the Bankable Feasibility Study ("BFS") for the development and subsequent mining and export of iron ore from the project

Prior to relinquishing the project Robe River had reported various hematite-enriched pods with iron grades up to 65% within the Cape Lambert deposit. The Company will carry out further investigations into these deposits as this type of ore might be suitable to direct shipping and create the opportunity to generate an early cash flow.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Chairman

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The information in this report is based on information compiled by Mr Frans Voermans who is a fellow and chartered professional of the Australasian Institute of Mining and Metallurgy. Mr Voermans has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code of Reporting of Exploration Results, Mineral resources and Ore Reserves". Mr Voermans consents to the inclusion in the report of the matters based on his information in the form and the context in which it appears.