

17 August 2006

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

CAPE LAMBERT PROGRESSES WA IRON ORE PROJECT

- New appointment of senior management
- Phase one drilling nearing completion
- Engineering MOU signed

Iron ore exploration and development company Cape Lambert Iron Ore Ltd (ASX: CFE) (AIM: CLIO), announces the appointment of two senior management to assist with the development of the 100% owned Cape Lambert Iron Ore Project in the Pilbara region of Western Australia (WA), together with a drilling update and details of a Memorandum of Understanding (MOU) for project management and engineering works.

Senior Management Appointments

Mr Joe Ariti has been appointed to the position of General Manager Projects, to oversee the completion of the Bankable Feasibility Study, the first stage of bringing the project to production. It is further intended that Mr Ariti will oversee construction and commissioning of the works following successful completion of the Bankable Feasibility Study (BFS).

Joe Ariti is a professional metallurgist with over 20 years experience in technical, management, general management and executive roles in assessing, developing and managing mining projects and companies in the resources industry, both in Australia and overseas. He has demonstrated executive management, leadership and team building skills, and has a track record of establishing and sustaining collaborative and effective relationships at all levels both internal and external to the organisation under his employ. His strong commercial acumen with a focus on maximising value, complemented with a clear understanding of capital markets, compliance and governance issues will be of great value to the Company.

Mr Warren Gilhome has been engaged to assist with the preparation and marketing of the product.

Warren Gilhome has more than 30 years experience in the iron ore industry. A geologist by training, he occupied exploration and operational positions with Hamersley Iron and, after transferring to Hamersley's marketing division, took responsibility for sales and marketing in China, Korea and Taiwan. While based in Hong Kong, he established Hamersley's full time presence in the Peoples Republic of China.

Both appointments will strengthen and accelerate CFE's activities in bringing the project to a satisfactory conclusion.

Phase One of Drilling Programme

Further to the announcement made by Cape Lambert on 11 May 2006 regarding planned drilling at the Cape Lambert Project, the Company can confirm that drilling has been underway since early June 2006 and Phase One of the programme will be completed shortly. Results from Phase One will be released in September 2006, subject to assay availability.

Phase Two of the drilling programme will commence immediately after the completion of Phase One with the additional mobilisation of a second drill rig. At this time the Company envisage all infill and metallurgical drilling will be completed by December 2006.

MOU for Engineering Works & Project Management Signed

Cape Lambert has signed an MOU with Calibre Projects, a leading engineering company based in Western Australia, for project management and engineering works at the Company's Cape Lambert Iron Ore Project.

The purpose of the MOU is establish a framework for the negotiation of an Engineering and Project Management Services Agreement that formalises the understanding between the two parties, including the scope of work and associated costs. When signed, this agreement will cover the preparation of the BFS for the project as well as all ongoing project management and engineering works.

Calibre Projects is a results focused engineering consultancy providing engineering, procurement and construction management (EPCM) services to the resources industry, delivering projects from pre-feasibility through to commissioning and handover. Ranked as the fastest growing private company in WA, Calibre has a workforce of over 500 highly skilled personnel and the capability to deliver iron ore development projects from pit to port.

Recent EPCM projects in the Pilbara Region include HI Yandi 36 Mt/a Expansion, HI West Angelas Optimisation, HI Pilbara Rail Duplication and HI Eastern Range Expansion.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

For more information please contact:

Cape Lambert Iron Ore Ltd

Tony Sage
Ian Burston

+61 8 9380 9555
+61 0 413 998 784

Australian Enquiries:

David Tasker, Professional Public Relations

+61 8 9388 0944/ +61 433 112 936

UK Enquiries:

Collins Stewart
Miikka Haromo

+44 (0)20 7523 8000

Conduit PR

Angus Prentice / Leesa Peters,

+44 (0)20 7429 6603
+44 (0)7974 982 512

Website :

www.capelam.com.au