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Via E Lodgement

DRILLING AT CAPE LAMBERT IRON ORE PROJECT CONFIRMS RESOURCE OPEN AT DEPTH

HIGHLIGHTS:

- **20 holes completed for a total of 5,200 metres drilled**
- **Drilling has identified presence of substantial tonnage of high-grade magnetite ore at levels deeper than known JORC resource (currently 2.5 billion tonnes).**
- **Mineralisation is not closed off and is still found at depths below 400m**
- **Drilling campaign to be expedited by arrival of a second drill rig, with a further 10,000 metres to be drilled in the next three to four months**

Iron ore exploration and development company Cape Lambert Iron Ore Ltd (ASX:CFE) (AIM:CLIO), announces that phase one of the drilling programme has confirmed the current resource at the 100% owned Cape Lambert Iron Ore Project in the Pilbara region of Western Australia (WA) appears open at depth.

This conclusion has been made following the results of extensive drilling at the project.

To date 20 holes have been completed for a total of 5,200 metres drilled.

All the drilling as part of this program has been undertaken in the Central Target Area (CTA), a 5km long and approximately 1km wide boomerang-shaped zone within the Cape Lambert Project where metallurgical testing results on previous drilling were most encouraging.

The drilling within the CTA has outlined the presence of two major magnetite-rich horizons: an Upper and Lower Ore Unit with true thicknesses of mineralisation generally varying between 60 and 100 metres each.

The two units are separated by a narrow up to 50m thick zone of un-mineralised material.

Immediately below the Lower Unit, several thinner magnetite-rich horizons have been intersected, within a thick sequence of banded cherts. These basal units can reach thicknesses of up to 50 metres.

Within the Cape Lambert project area all mineralised units encountered during the drilling are found at surface. Outcropping can be traced continuously over a strike length in excess of 8km dipping at a shallow angle eastwards. This mineralisation has yet to be closed off as the deepest hole completed so far was still in mineralisation at a vertical depth of 402 metres.

Because of the relative shallow drilling undertaken by previous explorers, the existing resource calculation was restricted to maximum depths of 150 to 200m. The drilling to date has identified the presence of a substantial tonnage of additional high-grade magnetite ore at deeper levels. This mineralisation has not been closed off and is still found at depths below 400m.

Over 600 magnetite-rich composite samples have been submitted for metallurgical testing with first results expected towards the end of September.

Because of the present high demand and limited facilities for this type of test work, the waiting times for final results are in excess of six weeks. The company is actively looking for other alternatives to decrease the current processing time.

The drilling campaign will shortly be expedited with the arrival of a second drilling rig. A further 10,000 metres drilling is planned for the next three to four months.

Yours faithfully

Cape Lambert Iron Ore LTD

Tony Sage
Executive Director

Competent Person Declaration

The information in this report that relates to Exploration Results is based on information compiled by Frans Voermans, who is a Fellow (CP) of The Australian Institute of Mining and Metallurgy and a Member of The Australian Institute of Geoscientists. Frans Voermans is a Director of Voermans Geological Services Pty Ltd, and 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 "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves".

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