

20 October 2006

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

RESPONSE TO INDIAN MEDIA ARTICLE: “ ESSAR CHASES IRON IN AUSTRALIA ”

Following a request by the Australian Stock Exchange (“ASX”) earlier today, the Board of Cape Lambert Iron Ore Ltd (ASX: CFE AIM:CLIO) (“CFE”) (“The Company”) would like to make the following statement regarding an article that appeared in the Indian press late last week:

The Company is aware of the article on Friday relating to negotiations between the Company and Indian steel giant Essar Group.

As previously reported, CFE has non-binding non-exclude memorandum of understandings with three Chinese groups relating to negotiations for equity and off-take agreements. CFE has however continued negotiations with a number of parties looking to either invest in the Cape Lambert Iron Ore Project or to enter into an off-take agreement. These discussions have included the Essar Group of India.

The Company has been in talks with Essar about their potential involvement in the Cape Lambert Iron Ore project for seven months and representatives of Essar Group have flown to WA to meet with the CFE Board.

While the talks have been "very robust and detailed" it is still too early to say any agreement is imminent.

CFE remains in negotiations with other major Chinese and Indian groups and will continue to review all off-take opportunities, with the view to selecting a partner that is not only committed to take the ore, but also the development of the Cape Lambert Iron Ore Project.

Should you require any further information about the information contained within this announcement please contact the undersigned.

Yours faithfully

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