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The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

CAPE LAMBERT SIGNS AGREMEENT TO ACQUIRE TENEMENTS ADJACENT TO 2.5BT WA IRON ORE PROJECT

HIGHLIGHTS:

- **CFE signs option agreement to acquire three tenements adjacent to CFE tenements in NW Western Australia**
- **Recent drilling has confirmed an extension of current ore body that appears to cross into acquired tenements**
- **Extensive exploration (RC and Diamond drilling) to commence on new tenements to determine full extent of ore body**
- **Acquisition provides more options regarding location of necessary infastructure**

Iron ore exploration and development company Cape Lambert Iron Ore Limited (**ASX: CFE, AIM: CLIO**) has signed an agreement with Norwest Sand & Gravel to acquire tenements E47/1233, E47/1248 and E47/1271.

These tenements are located adjacent to the companies Cape Lambert Iron Project (EL47/1462) in the northern coastal Pilbara of Western Australia, which is between the towns of Karratha, Roebourne and Wickham.

As part of the agreement Cape Lambert has the exclusive right to acquire the tenements for an option payment of A$200,000 plus 600,000 Cape Lambert Iron Ore Ltd ordinary shares. This option will expire on 30 September 2007.

On or before the expiry of the Option Cape Lambert must decide if it intends to purchase the tenements from Norwest Sand & Gravel using one of two schemes already agreed between the two parties. Both schemes have a cash and scrip consideration, with one scheme also having a royalty provision on any iron ore shipped from the tenement/s.

Commenting on the acquisition Cape Lambert Iron Ore Director Tony Sage said, “We believe the extension to the known mineralisation, as determined by recent drilling, may extend into these tenements and we will be agressively exploring along strike to determine if this is the case.”

On 19 December 2006 Cape Lambert confirmed that it had uncovered a new high-grade mineralisation zone at its namesake project following the receipt of the latest Davis Tube Recovery (DTR) results relating to drill holes MA210, MA211 and MA208. These holes are located outside the current resource of 2.5 billion tonnes @ 30% Fe (250m depth & 25% Fe cut off) and are significantly at a high grade and with wider intersections.

Drill hole MA210 returned a DTR result of 202m (from 100m to 302m) at an average concentrate recovery of 35.3% by weight, 66.9% Fe, 5.4% SiO^2, 0.35% Al^2 O^3 and 0.006% P.

This hole is located approximately 100m to the southeast of drill hole MA209, which also had significant high grade DTR. (Refer Table 1)

"The nature of the geological formation has convinced the Board of Cape Lambert to intially take an option over the tenements with a view to a full acquisition subject to drilling results," Mr Sage said.

"Cape Lambert plans to undetake significant drilling at the project so as to determine the full extent of the ore body extension. This is likely to include RC and Diamond drilling, which will commence as soon as practibly possible."

"These tenements provide the company with more options in terms of the location of infrastructure required to support the project as it moves from the development to production stage." Mr Sage said.

As part of the agreement Norwest Sand & Gravel retains the right to expore for and develop any economic occurances of gold mineralisation on the tenements, subject to such activities not being detrimental to the proposed Cape Lambert operations.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

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Competent person statement:

The DTR information in this report is based on information complied by GV Ariti who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ariti 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 for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Ariti consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

Table 1: Summary Davis Tube Recovery Intercepts

Hole_ID	Local Grid		Sample (m)			DTR results				
	Easting	Northing	From	To	Interval	Recoverable Mag Wt (%)	Fe grade (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)
MA208	13,200	11,300	80	132	52	36.7	64.9	7.3	0.52	0.009
MA211	13,200	11,165	80	196	116	33.1	65.3	7.3	0.47	0.007
MA209	13,200	11,050	72	236	164	33.8	67.4	5.0	0.24	0.006
MA210	13,200	10,850	100	302	202	35.3	66.9	5.4	0.35	0.006

Notes:

- All holes are collared vertically.
- Sample interval comprises 4m composites.
- Each 4m composite is individually tested by DTR, with all composite results average for the interval.
- DTR samples prepared to nominally 100% passing 45 micrometers.
- DTR testing performed by AMDEL Limited (Mineral Services Laboratory) with chemical analysis by X-ray Fluorescence Spectrometry (XRF).