

27 March 2007

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

**Chinese Investor to acquire 70% of Cape Lambert Iron Ore Project
for US\$192.5 million (approx AUD\$250 million cash)**

- **Chinese investor to acquire a 70% stake in the Cape Lambert Iron Ore Project for AUD\$250 million cash (values project at approx AUD\$350 million)**
- **AUD\$2 million deposit paid (AUD\$750,000 non refundable)**
- **Conditional on proving a 300 million tonne indicated resource (expected Q2 2007), shareholder and regulatory approvals**
- **CFE technical team to continue to manage the project development**

Iron ore exploration and development company Cape Lambert Iron Ore Limited (**ASX: CFE, AIM: CLIO**) ("**Cape Lambert**") has signed a binding agreement with Best Decade Limited, a company associated with Mr Liguu Ding, the Chairman of Singapore listed steel manufacturing and trading group Delong Holdings Limited, for the sale of 70% of the Cape Lambert Project, for AUD\$250m.

The Cape Lambert Project is located in the Pilbara region of Western Australia and is presently subject to various drilling programs, metallurgical, engineering, infrastructure, and environmental studies with the objective of preparing a Bankable Feasibility Study ("**BFS**"). The 2007 drilling campaign, as previously planned, is scheduled to commence in mid-April.

Under the terms of the binding agreement, the purchaser has paid Cape Lambert a AUD \$2m deposit of which AUD \$750,000 is non-refundable.

Best Decade Limited, owns 78% of Delong Holdings Ltd which is listed on the Singapore stock exchange (**SIN: 515**) and is headquartered in Beijing. Its flagship business, Delong Steel, is located 430km southwest of Beijing in the industrial city of Xingtai (Hebei Province), near raw material sources and an extensive client base encircled by the Bohai Economic Zone. The group operates in China, Singapore, South Korea, Vietnam and Indonesia.

Cape Lambert Director Tony Sage said the agreement with Best Decade Limited would not only provide the company and its shareholders with a continued exposure to the project, but also allow it to fund its 30% share of the expected development expenditure of the project from cash reserves and therefore not dilute the capital of the company.

"The company will retain a significant equity holding in the asset and now have significant cash reserves that will allow us to evaluate and possibly acquire other projects. We are in the unique position of having sufficient cash reserves that will allow us to run the ruler over a number of seriously exciting projects."

This agreement is conditional on Cape Lambert providing the purchasers with an independent geological report confirming an indicated JORC compliant resource of 300 million tonnes. The Directors expect the report to be completed in Q2, 2007.

The agreement is also subject to the company obtaining all necessary shareholder and regulatory approvals.

The purchaser will pay Cape Lambert 30% of the sale price (approx AUD \$75 million) at settlement of the transaction with a further 55% (approx AUD \$138 million) of the sale price being paid three months after that date. The final installment, being 15% will be paid on completion of the BFS and commencement of construction.

In addition Mr Sage said “that whilst the ownership structure of the Project would now change, at a management level all current work programs and studies would continue as if there had been no change in ownership. This includes various metallurgical and engineering studies that are currently underway and the recommencement of drilling in mid-April”.

Further details about Delong can be found at their website:

Website: <http://www.listedcompany.com/ir/delong/web/home.cgi>

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

For more information please contact:

Cape Lambert Iron Ore Ltd

Tony Sage +61 8 9380 9555

Ian Burston +61 0 413 998 784

Australian Enquiries:

Professional Public Relations – David Tasker +61 8 9388 0944/ +61 433 112 936

UK Enquiries:

Collins Stewart – Miikka Haromo +44 (0) 20 7523 8000

Conduit PR – Leesa Peters +44 (0) 20 7429 6600/ +44 (0) 781 215 9885

Website: www.capelam.com.au