

1 June 2007

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

CFE TO CREATE NEW SUBSIDIARY TO ASSIST IN DEVELOPMENT OF ITS NON CORE IRON ORE ASSETS

Iron ore exploration and development company Cape Lambert Iron Ore Limited (ASX: **CFE**, AIM: **CLIO**) has incorporated a 100 per cent owned subsidiary, Global Iron Ltd ("Global"), and proposes to transfer all of its iron ore assets, excluding the Cape Lambert Iron Project in Western Australia, to this company in exchange for shares in Global.

Cape Lambert intends to spin this company out into a new ASX listed entity and distribute its shareholding in Global to the CFE shareholders. It is expected that following the proposed spin-out, Cape Lambert shareholders will hold approximately 20 per cent of Global by way of an in-specie distribution by Cape Lambert of the shares it holds in Global. The in-specie distribution is subject to shareholder approval, Global completing a capital raising of \$2,500,000 and receiving conditional approval to list on ASX.

Global has been created so as to allow the management of Cape Lambert to concentrate on developing the Company's namesake project in the Pilbara region of Western Australia and allow the other projects to be developed in a timely manner.

The board of CFE believes the other iron ore assets held by Cape Lambert are not valued correctly under the current structure and this new spin-out will provide these assets with their own identity and allow a different management team to develop them.

Further details in respect of this transaction will be contained in a notice of meeting that will be sent to shareholders shortly.

CFE also advises that it has been granted a waiver by ASX from ASX Listing Rule 7.3.2 to permit CFE to seek shareholder approval for the issue of shares with a value of up to \$10,000,000 and free attaching options to Westlink Limited (**Westlink**) as a success fee for the sale of 70% of the Cape Lambert Iron Ore Project to Mr Ding Ligu. The waiver has been granted on the following terms:

- (a) the notice of meeting seeking shareholder approval must set out the terms of the agreement between CFE and Westlink;
- (b) the securities must be issued no later than 31 December 2010; and
- (c) CFE's annual reports for the periods up to and including the period in which the final securities are issued, must set out the number of securities that have been issued within the relevant period.

Details regarding the sale of the 70% interest in the Cape Lambert Iron Ore Project and the success fee payable to Westlink will be contained in the notice of meeting to be sent to shareholders shortly.

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

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