26 June 2007

The Company Announcements Office
Australian Stock Exchange Limited

**Via E Lodgement**

## CENTRAL TARGET AREA RESOURCE ESTIMATE EXCEEDS SALE REQUIREMENT

### SUMMARY

Iron ore exploration and development company, Cape Lambert Iron Ore Limited (ASX code: **CFE**, AIM: **CLIO**) is pleased to announce a mineral resource estimate for the Central Target Area at its 100% owned Cape Lambert iron ore project (the "Project"), located in the Pilbara region, Western Australia (refer Figure 1).

The mineral resource estimate, at a 20% Fe lower cut-off, is summarised in the following table;

**Summary Mineral Resource Estimate**

| Resource Classification | Million tonnes | Fe % | $SiO_2$ % | $Al_2O_3$ % | P % | S % | LOI % |
|---|---|---|---|---|---|---|---|
| **Indicated** | 654 | 32.2 | 39.6 | 1.80 | 0.024 | 0.12 | 5.90 |
| **Inferred** | 323 | 32.6 | 39.7 | 1.68 | 0.024 | 0.09 | 6.14 |
| **Total** | **977** | **32.4** | **39.6** | **1.76** | **0.024** | **0.11** | **5.98** |

The mineral resource estimate is based on data from the Company's 2006 Reverse Circulation ("RC") drilling program, together with earlier drilling data from Robe River Mining Pty Ltd ("Robe") comprising over 40,000 metres of RC drilling in total.

The resource estimate was prepared by international mining consultancy group, Golder Associates Pty Ltd ("Golder"). A full copy of Golder's summary report is attached to this announcement.

The resource estimate relates only to the Central Target Area ("CTA"). The CTA is a north south orientated zone of magnetite mineralisation measuring approximately 6 km long by 1 km wide (refer Figure 3), and is a sub-set of the global iron resource (2.5 billion tonnes at 30% Fe at a 25% Fe cut-off and to a depth of 250 m) estimated by geological consultants Mackay & Schnellmann Pty Ltd in 2005. The CTA was selected for drill follow-up during 2006 after considering the metallurgical recovery of magnetite mineralisation outlined in the Robe drilling.

On 27 March 2007, the Company announced it had entered into a sale agreement with Mr Ding Liguo to sell 70% of the Project for approximately A$250 million in cash. The sale agreement requires the satisfaction of several conditions precedent (refer ASX release dated 27 March 2007) including;

a) Cape Lambert defining a minimum Indicated Mineral Resource of 300 million tonnes; and

b) Secondly, Cape Lambert's resource estimates being verified by an independent geologist.

The resource estimate set out in this announcement, whilst prepared by Golder is in satisfaction of a) above.

As announced in the Company's Quarterly Report, released on 30 April 2007, RSG Global has been appointed as the independent geologist. RSG has commenced independent verification of the resource estimate, and is expected to complete this process prior to the shareholders meeting set down for 16 July 2007.

Yours faithfully
CAPE LAMBERT IRON ORE LTD

**I F Burston**
Executive Chairman

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## BACKGROUND

### Location

The Cape Lambert iron ore Project is located in the Pilbara region of north Western Australia. It lies less than 10 km inland from the coast, 5 km southwest of Wickham, 25 km east of Karratha and 10 km northwest of Roebourne.

The Project tenement, EL 47/1462 has an area of 223 $km^2$ and is crossed by the North West Coastal Highway, gas pipeline, power transmission line and the Pannawonica – Cape Lambert railway.

### Geology

Bedrock in the Cape Lambert region is an Archaean sequence of cherts, ultramafics, sediments, volcanics, both basic and felsic, and banded iron formation. This latter sequence is known as the Cleaverville Formation with thicknesses ranging between 800 and 1,400 metres (refer Figure 2). It is a subunit of the Gorge Creek Group of banded iron formation and clastic sedimentary rocks. The iron bearing banded iron formation units within the sequence are generally considered to be of primary origin. They give rise to a range of hills standing 40-50 metres above plain level and trending in a northeasterly direction through the Project area.

The unit is underlain by the Whundo Group, a predominantly volcanic sequence, and overlain by the Mount Roe Basalt of the Fortescue Group.

Regional structure consists of a series of northeast trending synclines and anticlines, with the axis of one such anticline occupying the central portion of the tenement area. The prospect occupies the south-eastern limb of this anticline. Overall dip of this anticlinal limb is shallow to moderate to the south-east. Faulting, particularly thrust faulting and secondary folding complicates the geology at the local level.

### Previous Work

The prospect was investigated by Robe between 1993 and 2001, including drilling programs totaling 22,444 m, covering an area measuring 7 km long by 2 km wide. This drilling was carried out on an approximate 400 m by 100 m grid, and, with the exception of the three diamond holes, was constrained to a maximum depth of 172 m. Maximum depth of the diamond holes was 291 m.

### Central Target Area

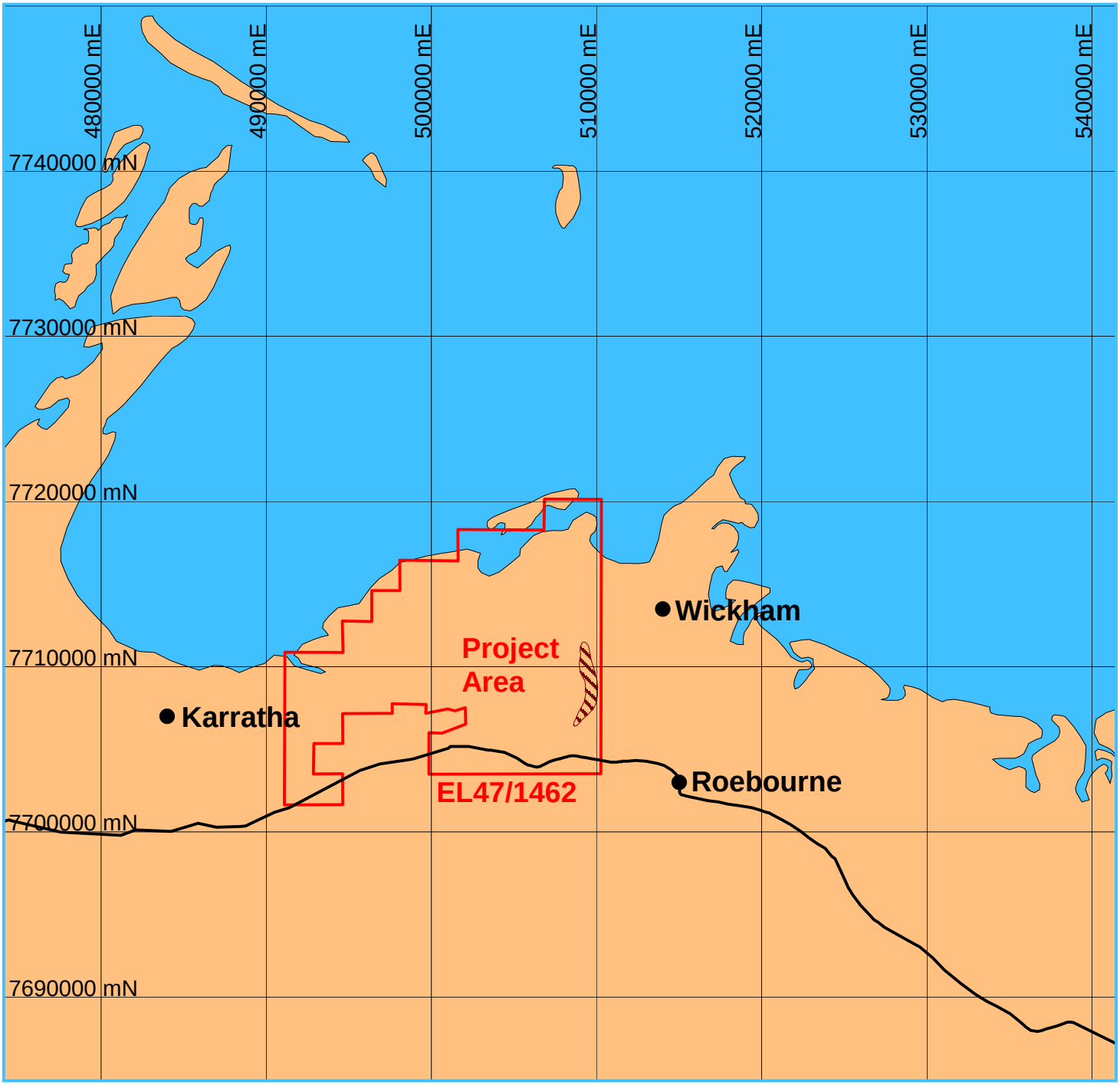
Cape Lambert's 2006 program was aimed at delineating a significant magnetite resource within the larger global resource defined by the Robe programs.

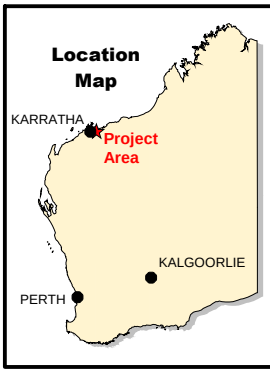
Based on the analysis of magnetite recovery results from Robe's data, the Company targeted an area considered to be most prospective in terms of containing economically extractable magnetite. This area, known as the Central Target Area ("CTA") occupies the eastern central portion of the Robe global resource. The CTA is approximately 6 km long and 1 km wide (refer Figure 3).

## 2006 Drilling Program

During 2006, the Company carried out a program of resource delineation drilling, comprising 69 RC holes totaling 18,052 metres, using the pre-existing Robe grid. Drilling was essentially carried out along section lines 200 m apart. Spacing along these section lines was influenced by several factors including (Robe's) previous drill hole locations, perceived geological complexity and the purpose of the hole (e.g. infill or resource delineation). The maximum hole depth was 438 m, with several of the deeper holes abandoned due to high water pressure/slow drilling while still in mineralised horizons. Such holes will be completed in the current program with diamond tails.

This program has provided further definition to the stratigraphic and structural controls of the mineralised horizons. Furthermore, it demonstrates that the mineralisation extends down-dip to a much greater depth and with greater thickness than indicated by the shallower Robe programs, with intersections over 200 m thick and extending down to at least 300 m depth.

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Cape Lambert Iron Ore Ltd

# Figure 1
# Tenement and Project Area

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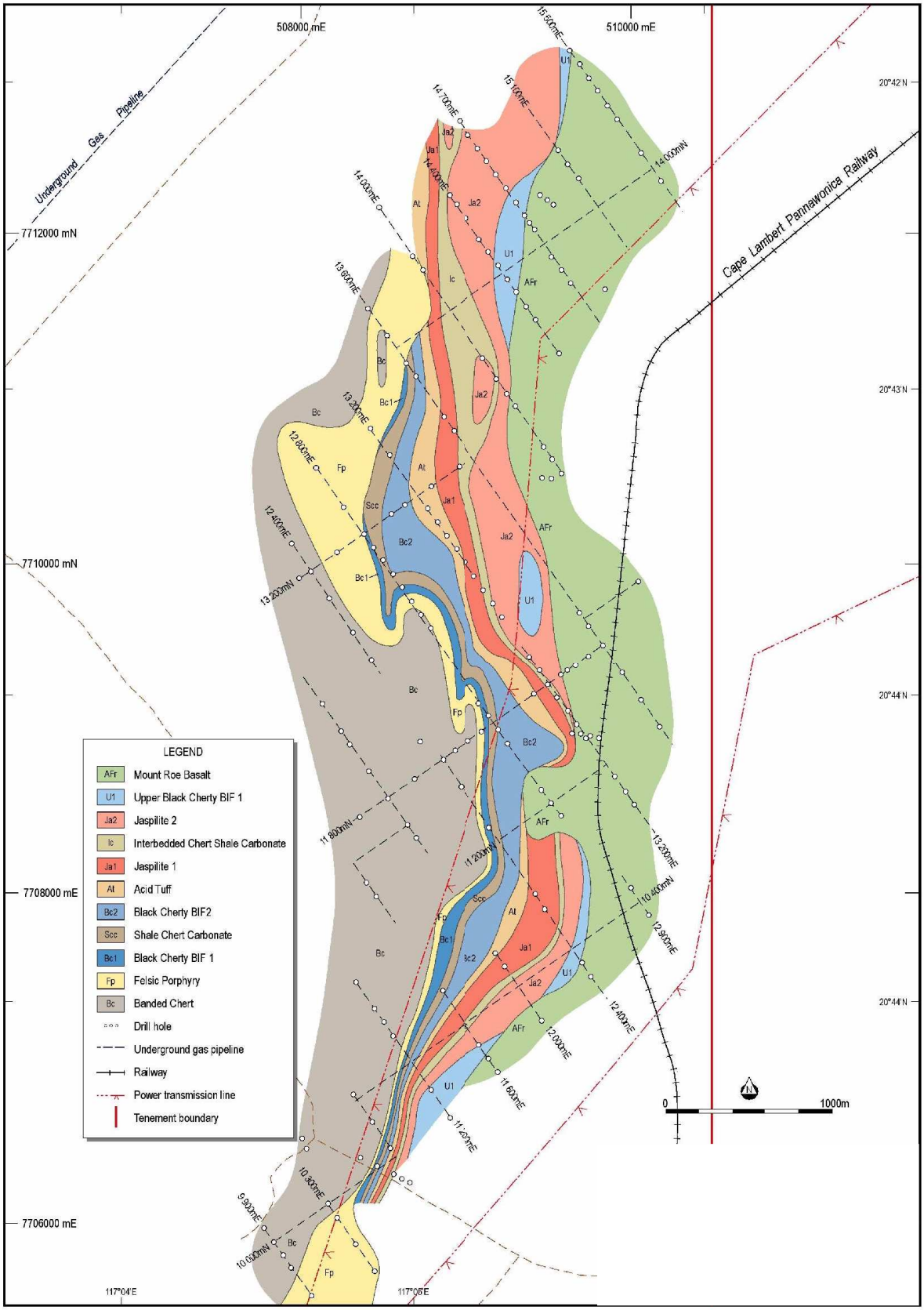
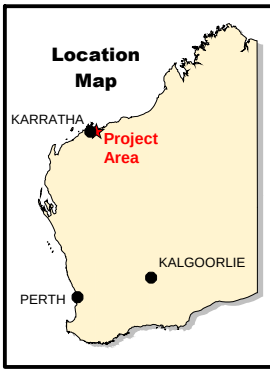
| Datum: . | Scale: . 1:350 000 |

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# Figure 2
# Geology

| | |
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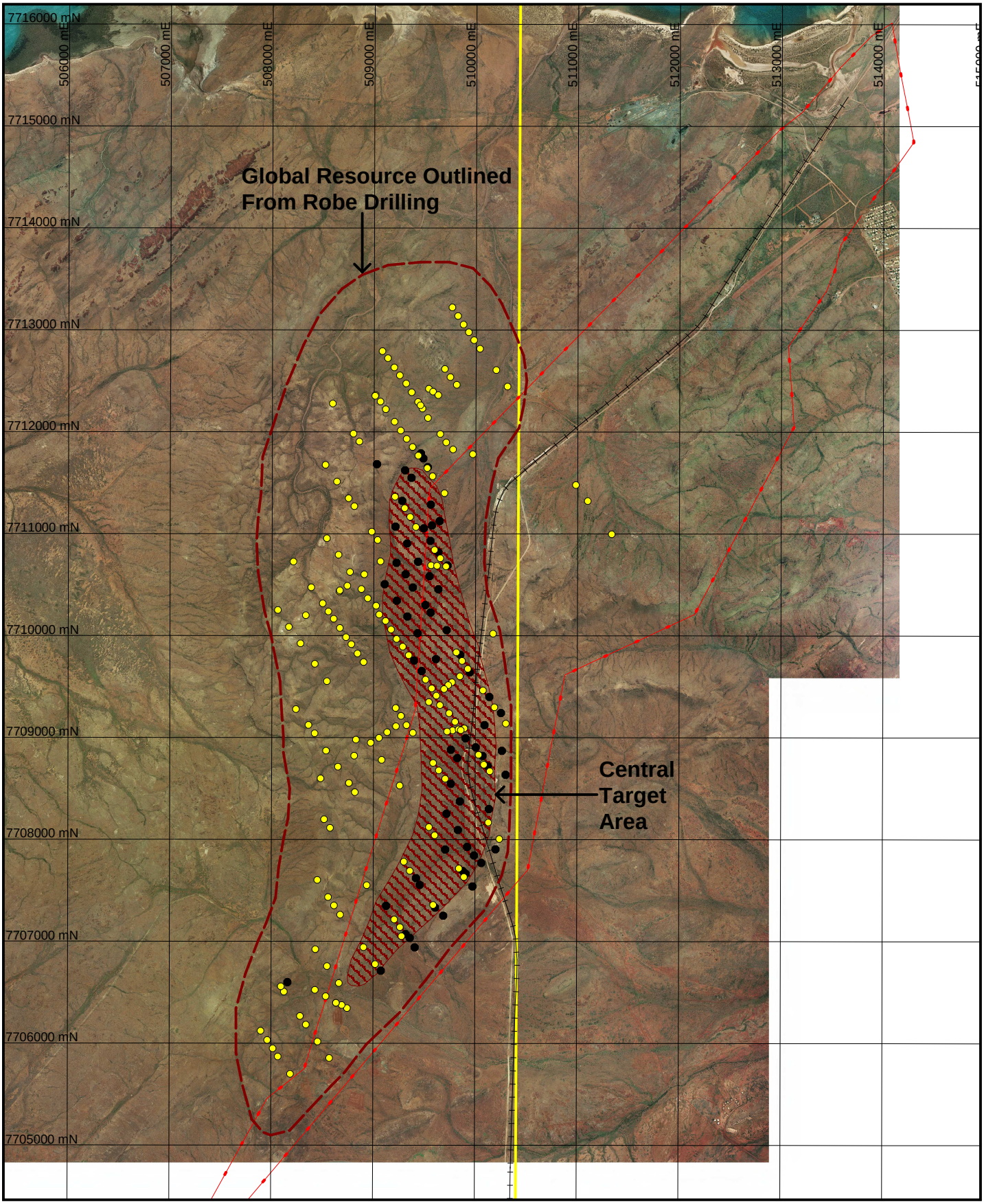
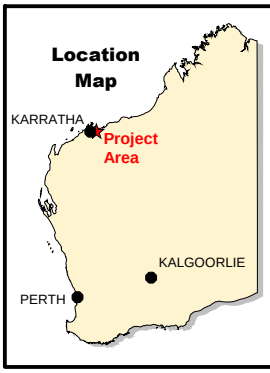
| Datum: . | Scale: . |




1 0 1 2

Kilometers

**Legend**

- Power Line
- Railway Line
- Licence Boundary
- CFE 2006 Drillhole
- Robe Drillhole

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Cape Lambert Iron Ore Ltd

# Figure 3
# Central Target Area

| | |
|---|---|
| Author: . | Date: . |
| Drawn: . | Revised: . |
| Dwg No.: . | Report No.: . |
| Datum: . | Scale: . 1:50 000 |

**Golder Associates Pty Ltd**
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25 June 2007 077641217-R01

Cape Lambert Iron Ore Ltd
18 Oxford Close,
Leederville
WA 6007

Attention: Mr Joe Ariti

Dear Joe

## RESOURCE STATEMENT FOR CAPE LAMBERT

Golder Associates Pty Ltd (Golder) has completed the Cape Lambert resource model using all available assay data as of 29 May 2007. The resource estimate was classified according to the guidelines of the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004).

Classification of the resource estimate as Indicated and Inferred status was completed by Golder geologists, as described below, based on geological confidence criteria, quality and representativeness of sampling and data density.

The *in situ* Mineral Resource is constrained to the mineralised domain boundaries. Estimates representing extrapolations greater than 200 metres from drilling are not included in this resource statement.

## ASSUMPTIONS AND METHODOLOGY

This Mineral Resource estimate is based on a number of factors and assumptions:

- All of the available historic and current drilling data was used in the geological interpretation of the resource. "Historical" data is that acquired by Robe River Iron in the 1990's. "Current" data is that acquired by Cape Lambert Iron Ore in 2006/2007. Some of the historical data was excluded from the resource estimation.

- Stratigraphic horizons were interpreted and modelled in three dimensions to define geological domains that were used to flag the sample data for statistical analysis and grade estimation.

- The survey control for collar positions was considered adequate for the purposes of this study.

- A review of the repeat assays for Head and Davis Tube Concentrate grades was completed. No discrepancies that may significantly impact on the resource were identified.

- An *In situ* density of 3.0 t/$m^3$was assigned to the mineralised domains. This value is based on limited wire-line data and experience with similar deposits and is considered to be conservative.

- Statistical and geostatistical analysis was carried out on drilling data composited to 4 metres down hole. This included variography to model spatial continuity relationships in the geological domains.

- The Ordinary Kriging (OK) interpolation method was used for resource estimation of Head and Concentrate grades for Fe, $Fe^{++}$, $SiO_2$, $Al_2O_3$, $TiO_2$, S, $K_2O$, MgO, $TiO_2$, P and LOI using variogram parameters defined from the geostatistical analysis. Additionally the $Na_2O$ and Davis Tube Recovery values were estimated for the concentrate only.

- Estimations for concentrate grades were weighted by Davis Tube Recovery in order to appropriately reflect the relationship between concentrate Mass Recovery and the Concentrate assays.

- Historical concentrate assays were based on single samples taken over the complete mineralised intercept(s) in a hole. For most domains these assays were not used due to the differing sample support. For the Northern lower stratigraphic horizon where no recent concentrate assays were available, historical data was used.

## MINERAL RESOURCE STATEMENT

The resource estimates were classified in accordance with the guidelines of the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves (JORC Code, 2004). The classification was considered appropriate on the basis of geological confidence criteria, quality and representativeness of sampling and data density.

This resource has been defined using geological boundaries and a nominal cut-off grade of 20% Head Fe, Magnetic Susceptibility response and stratigraphy and includes minor internal dilution. All estimated concentrate grades were weighted by Davis Tube Recovery.

The resource is made up of a series of sub-parallel stratigraphic units gently dipping to the South East extending over 6900 metres of strike. The deposit varies in depth from sub-crop to 450 metres below surface and is up to 800 metres in width with an average unit thickness of approximately 20 metres.

The resource is based on the Ordinary Kriging interpolated block model *clam_0706.bmf* (Table 1 and Table 2).

**Table 1: Cape Lambert *in situ* Mineral Resource at a nominal Head Grade cut-off of 20% Fe – Head Grades**

| | Domain | MTonnes | Fe | $SiO_2$ | $Al_2O_3$ | P | S | LOI |
|---|---|---|---|---|---|---|---|---|
| Indicated | Central Lower | 285 | 31.65 | 38.92 | 1.71 | 0.023 | 0.11 | 7.67 |
| | Central Upper | 10 | 31.87 | 39.89 | 2.08 | 0.033 | 0.09 | 7.74 |
| | South Lower | 266 | 33.05 | 40.03 | 1.76 | 0.024 | 0.11 | 4.52 |
| | South Middle | 52 | 30.99 | 41.17 | 2.23 | 0.025 | 0.15 | 4.41 |
| | South Upper | 41 | 32.28 | 39.84 | 2.03 | 0.026 | 0.16 | 3.95 |
| Total | | 654 | 32.21 | 39.62 | 1.80 | 0.024 | 0.12 | 5.90 |
| Inferred | Central Lower | 190 | 33.62 | 39.36 | 1.67 | 0.025 | 0.08 | 4.60 |
| | North Lower | 16 | 32.53 | 38.15 | 1.11 | 0.023 | 0.03 | 10.74 |
| | North Upper | 85 | 31.02 | 40.20 | 1.63 | 0.021 | 0.11 | 9.37 |
| | South Lower | 23 | 32.47 | 40.75 | 1.87 | 0.026 | 0.11 | 3.95 |
| | South Middle | 8 | 27.47 | 42.93 | 2.96 | 0.026 | 0.24 | 5.38 |
| | South Upper | 0.1 | 33.37 | 39.91 | 2.19 | - | - | 2.80 |
| Total | | 323 | 32.65 | 39.70 | 1.68 | 0.024 | 0.09 | 6.14 |
| Grand Total | | 977 | 32.35 | 39.65 | 1.76 | 0.024 | 0.11 | 5.98 |
| | | | | | | | | |
| Indicated | All | 654 | 32.2 | 39.6 | 1.80 | 0.024 | 0.12 | 5.90 |
| Inferred | All | 323 | 32.6 | 39.7 | 1.68 | 0.024 | 0.09 | 6.14 |
| **Total** | | **977** | **32.4** | **39.6** | **1.76** | **0.024** | **0.11** | **5.98** |

| | **Domain** | **MTonnes** | **$Fe^{++}$** | **$K_2O$** | **MGO** | **$TiO_2$** | **CaO** |
|---|---|---|---|---|---|---|---|
| Indicated | Central Lower | 285 | 15.84 | 0.16 | 2.67 | 0.12 | 2.86 |
| | Central Upper | 10 | 15.90 | 0.06 | 1.91 | 0.14 | 1.68 |
| | South Lower | 266 | 12.53 | 0.19 | 2.66 | 0.12 | 2.94 |
| | South Middle | 52 | 11.90 | 0.25 | 3.16 | 0.14 | 3.57 |
| | South Upper | 41 | 12.01 | 0.25 | 3.15 | 0.14 | 3.73 |
| Total | | 654 | 13.94 | 0.18 | 2.72 | 0.12 | 2.99 |
| Inferred | Central Lower | 190 | 11.50 | 0.15 | 2.51 | 0.12 | 2.82 |
| | North Lower | 16 | - | 0.02 | 1.81 | 0.07 | 0.37 |
| | North Upper | 85 | 18.87 | 0.02 | 2.00 | 0.11 | 0.75 |
| | South Lower | 23 | 14.35 | 0.19 | 3.06 | 0.15 | 3.65 |
| | South Middle | 8 | 10.74 | 0.35 | 3.23 | 0.17 | 4.56 |
| | South Upper | 0.1 | 15.64 | 0.19 | - | 0.13 | - |
| Total | | 323 | 13.10 | 0.12 | 2.39 | 0.12 | 2.24 |
| Grand Total | | 977 | 13.70 | 0.16 | 2.61 | 0.12 | 2.74 |
| | | | | | | | |
| Indicated | All | 654 | 13.94 | 0.18 | 2.72 | 0.12 | 2.99 |
| Inferred | All | 323 | 13.10 | 0.12 | 2.39 | 0.12 | 2.24 |
| **Total** | | **977** | **13.70** | **0.16** | **2.61** | **0.12** | **2.74** |

**Table 2: Cape Lambert *in situ* Mineral Resource at a nominal Head Grade cut-off of 20% Fe – Davis Tube Concentrate (dtc) Grades**

| Class | Domain | Mtonnes | dtc_Fe | dtc_SiO2 | dtc_Al2O3 | dtc_P | dtc_S | dtc_LOI |
|---|---|---|---|---|---|---|---|---|
| Indicated | Central Lower | 285 | 58.50 | 11.60 | 0.59 | 0.01 | 0.09 | -0.17 |
| | Central Upper | 10 | 66.10 | 5.98 | 0.34 | 0.01 | 0.01 | -1.24 |
| | South Lower | 266 | 58.45 | 13.35 | 0.64 | 0.01 | 0.12 | -0.26 |
| | South Middle | 52 | 58.80 | 12.05 | 0.61 | 0.01 | 0.12 | -0.91 |
| | South Upper | 41 | 58.75 | 13.47 | 0.66 | 0.01 | 0.23 | -0.91 |
| Total | | 654 | 58.63 | 12.38 | 0.61 | 0.01 | 0.11 | -0.32 |
| Inferred | Central Lower | 190 | 63.24 | 7.25 | 0.40 | 0.01 | 0.04 | -1.75 |
| | North Lower | 16 | 68.28 | 3.65 | 0.12 | 0.03 | 0.12 | -1.97 |
| | North Upper | 85 | 66.15 | 5.40 | 0.38 | 0.01 | 0.02 | -0.75 |
| | South Lower | 23 | 57.43 | 13.72 | 0.67 | 0.01 | 0.10 | -0.80 |
| | South Middle | 8 | 47.17 | 14.21 | 0.68 | 0.01 | 0.10 | 0.04 |
| | South Upper | 0.1 | 52.65 | 19.24 | 0.85 | 0.01 | - | - |
| Total | | 323 | 63.06 | 7.46 | 0.41 | 0.01 | 0.05 | -1.47 |
| Grand Total | | 977 | 59.94 | 10.91 | 0.55 | 0.01 | 0.10 | -0.59 |

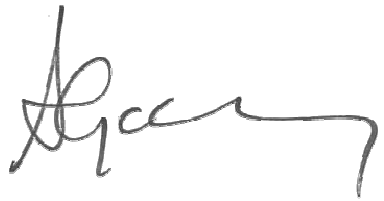
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Indicated | All | 654 | 58.63 | 12.38 | 0.61 | 0.01 | 0.11 | -0.32 |
| Inferred | All | 323 | 63.06 | 7.46 | 0.41 | 0.01 | 0.05 | -1.47 |
| Total | | 977 | 59.94 | 10.91 | 0.55 | 0.01 | 0.10 | -0.59 |

| Class | Domain | Mtonnes | dtc_$Fe^{++}$ | dtc_$K_2O$ | dtc_MgO | dtc_$Na_2O$ | dtc_$TiO_2$ | dtc_CaO | Mass_Recovery |
|---|---|---|---|---|---|---|---|---|---|
| Indicated | Central Lower | 285 | 21.6 | 0.05 | 1.18 | 0.02 | 0.07 | 0.80 | 31.6 |
| | Central Upper | 10 | 21.5 | 0.01 | 0.37 | 0.01 | 0.05 | 0.19 | 28.8 |
| | South Lower | 266 | 20.4 | 0.06 | 1.38 | 0.04 | 0.08 | 0.96 | 35.9 |
| | South Middle | 52 | 19.7 | 0.06 | 1.43 | 0.04 | 0.08 | 0.83 | 36.8 |
| | South Upper | 41 | 20.3 | 0.07 | 1.47 | 0.06 | 0.07 | 0.92 | 38.8 |
| Total | | 654 | 20.9 | 0.05 | 1.29 | 0.03 | 0.07 | 0.87 | 34.2 |
| Inferred | Central Lower | 190 | 21.5 | 0.03 | 0.73 | 0.03 | 0.07 | 0.54 | 30.5 |
| | North Lower | 16 | 22.1 | 0.00 | 0.16 | - | 0.06 | 0.01 | 18.1 |
| | North Upper | 85 | 23.3 | 0.00 | 0.30 | 0.01 | 0.06 | 0.11 | 30.6 |
| | South Lower | 23 | 21.3 | 0.06 | 1.52 | 0.05 | 0.08 | 0.96 | 39.6 |
| | South Middle | 8 | 18.7 | 0.04 | 1.59 | 0.05 | 0.09 | 0.73 | 31.1 |
| | South Upper | 0.1 | 20.5 | 0.08 | - | - | 0.06 | 1.35 | 35.2 |
| Total | | 323 | 21.8 | 0.03 | 0.74 | 0.03 | 0.07 | 0.47 | 30.5 |
| Grand Total | | 977 | 21.2 | 0.05 | 1.14 | 0.03 | 0.07 | 0.75 | 33.1 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Indicated | All | 654 | 20.90 | 0.05 | 1.29 | 0.03 | 0.07 | 0.87 | 34.19 |
| Inferred | All | 323 | 21.78 | 0.03 | 0.74 | 0.03 | 0.07 | 0.47 | 30.53 |
| Total | | 977 | 21.18 | 0.05 | 1.14 | 0.03 | 0.07 | 0.75 | 33.11 |

The information in this statement of Mineral Resources is based on information compiled by Stephen Godfrey who is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient relevant experience to qualify as a Competent Person as defined in the JORC Code (2004). Stephen Godfrey consents to the inclusion of this information in the form and context in which it appears.

Yours faithfully
**GOLDER ASSOCIATES PTY LTD**



**Stephen Godfrey**

**Senior Resource Geologist,**
**Ore Evaluation Services**