

5 October 2007

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

**CAPE LAMBERT IRON ORE LTD REFUSES TIME EXTENTION AND CHANGES TO
CONDITIONS FROM ORIGINAL SALE AGREEMENT WITH CHINESE INVESTOR**

Iron ore exploration and development company, Cape Lambert Iron Ore Limited (“**Cape Lambert**” or “**the Company**”) advises that Chinese investor Mr Ding Liguo (“**Mr Ding**”) has failed to satisfy a condition precedent to the Sale Agreement and breached an MOU with the Company (by not obtaining FIRB approval or exercising CFE options) and as such, has given notice to Mr Ding that the Sale Agreement is at an end.

The Company has viewed Mr Ding’s inability to adhere to the binding Sale Agreement, as a termination of the Sale Agreement and as such has advised his representatives that all further negotiations regarding the Sale Agreement, and any proposed variations, will now cease.

On 29 March 2007, Mr Ding entered into a Sale Agreement with the Company to acquire a 70 per cent interest in its Cape Lambert iron ore project for approximately A\$240M in cash. Under the terms of the Sale Agreement Mr Ding agreed to make a number of “milestone” payments based on the satisfaction of three key Conditions Precedent:

- the delineation of a Indicated Mineral Resource of 300 million tonnes, and the verification of this Indicated Mineral Resource by a third party approved by Mr Ding
- approval of the Sale Agreement by Cape Lambert’s shareholders
- the approval of the transaction by the Foreign Investment Review Board.

CFE satisfied all of its conditions precedent but Mr Ding has failed to seek to obtain approval from the Foreign Investment Review Board for the transaction.

On 31 August 2007, Mr Ding requested Delong Holdings Ltd (a Singapore Listed company controlled by Mr Ding) replace him as the purchaser of the transaction. Pursuant to an MOU signed on 31 August 2007, the Company agreed to this and other variations. Under the terms of the MOU Delong exercised 12 million Cape Lambert options at \$0.377 providing the Company with A\$4.6 million in extra working capital and also agreed to exercise a further 28 million Cape

Lambert options at \$0.377 when a new agreement between Cape Lambert and Delong was executed.

In negotiations with Delong since that date the clear intention of Mr Ding has been to change some of the initial terms and conditions of the original Sale Agreement, although not the purchase price. The Company believes some of the requested changes to the original terms and conditions are not acceptable and as such ceased further negotiations.

Mr Ding has not satisfied the terms of the original Sale Agreement and the MOU with the Company (by not satisfying the relevant condition precedent and not exercising his remaining 28 million Cape Lambert options), and as such the Board has advised Mr Ding that the original Sale Agreement is at an end and will now recommence negotiations with other interested parties.

The Company strongly believes that in taking this action the shareholders will be in a more advantageous position in the future.

Over the past three months the Company has had as its major focus the completion of the Bankable Feasibility Study (“**BFS**”) for the project. To this end 33,000 meters of drilling have been completed and all environmental, heritage, metallurgical and engineering work is nearing completion.

As a result of the recently completed helimag survey the Company believes it has uncovered several large untested magnetic anomalies that have the potential to greatly increase the size of the deposit at the project.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
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