

14 February 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

METALLURGICAL TESTING CONFIRMS REVERSE FLOTATION SILICA REDUCTION STRATEGY AT CAPE LAMBERT

HIGHLIGHTS

- **Reverse flotation**, silica reduction metallurgical test program completed at the Iron Ore Processing Research Institute, Liebenburg Germany,
- Very positive test results with worst case, primary concentrate **silica levels reduced** from 8.3% to **4.8%** with greater than 91% iron recovery (i.e. minimal loss of Fe units),
- **Further reductions** in primary concentrate silica levels anticipated with test work optimisation and the use of pneumatic flotation rather than conventional tank flotation,
- Incremental capital expenditure to install a reverse flotation circuit is estimated at less than 5% of the Concentrator facility capital cost, with minimal impact on operating costs,
- Reverse flotation combined with mine planning to blend lower silica and higher silica ore sources delineated within the Cape Lambert resource provides a high level of confidence that saleable concentrate of **less than 5% silica can be routinely achieved**.

Cape Lambert Iron Ore Limited (the "Company" or "Cape Lambert") (ASX: **CFE**, AIM: **CLIO**) has recently received very encouraging metallurgical results from a test program aimed at reducing the silica content in iron ore concentrates to be produced from its 100% owned Cape Lambert iron ore project (the "Project"), located in the Pilbara region, Western Australia (refer Figure 1). The Company has recently announced a JORC compliant resource of 1.56 billion tonnes grading 31.2% Fe, with a further resource upgrade scheduled to be announced in the June 2008 quarter.

Reverse flotation testing was undertaken at the Iron Ore Processing Research Institute, Liebenburg, Germany to determine whether a worst case primary concentrate containing 8% silica could be improved by reducing silica levels to below 5% (suitable blast furnace pellet feed). The tests showed that by employing reverse flotation a worst case primary magnetite concentrate produced from the Cape Lambert resource assaying 63.1% Fe and 8.3% silica could be improved to 66.4% Fe and 4.8% silica with greater than 91% Fe recovery (i.e. minimal loss of Fe units). Importantly, the tests were conducted on 50kg of concentrate produced from a 150kg composite sample utilising the proposed Cape Lambert flow sheet.

Cape Lambert Executive Chairman Ian Burston said *"We are very pleased with the outcome of this test work that has been conducted by two reputable and independent metallurgical testing institutes and has shown that a worst case concentrate containing more than 8% silica can be improved to less than 5% silica with reverse flotation."*

He further added *"These results confirm the Company's view that it will be able to produce a saleable final concentrate at less than 5% silica, which is suitable for blast furnace pellet feed."*

TEST WORK METHODOLOGY AND DISCUSSION

Reverse flotation testing was undertaken at the Iron Ore Processing Research Institute, Liebenburg, Germany to assess the effectiveness of reducing concentrate silica levels to below 5% - suitable blast furnace pellet feed. The testing methodology is shown in Figure 2 and described below.

The tests were conducted on approximately 50kg of primary magnetite concentrate produced from the bench scale processing of a 150kg composite sample. The 150kg composite sample was prepared in March 2007 from 19 mineralised intervals from 17 reverse circulation drill holes (refer Table 1) representing the strike and dip extents of the Cape Lambert resource at that time. Mineralised intercepts were selected on the basis of Davis Tube Recovery ("DTR") test results (refer Table 1) with the objective of producing a worst case primary concentrate with approximately 8% silica.

Bench scale processing to produce the primary concentrate was completed by independent mineral processing laboratory, AMDEL Limited at its Adelaide facility. Processing involved staged size reduction (crushing and rod mill grinding) to 80% passing 26µm followed by two stage (rougher and cleaner), low intensity magnetic separation. The primary concentrate, which assayed 63.1% Fe and 8.3% silica, was despatched directly to Germany by AMDEL.

Reverse flotation testing in Germany, firstly involved low energy abrasion grinding to achieve further liberation of composite magnetite-silica particles followed by two stage, low intensity magnetic separation. The resultant concentrate was then treated with reverse flotation to remove silica. Summary results are shown in Table 2.

Table 2: Summary Reverse Flotation Results

CONCENTRATE ASSAYS							
Primary Concentrate		After abrasion grinding and LIMS (Step 1)			After Step 1 and Reverse Flotation		
Fe (%)	SiO ₂ (%)	Fe (%)	SiO ₂ (%)	Fe Rec. (%)	Fe (%)	SiO ₂ (%)	Fe Rec. (%)
63.1	8.3	66.0	5.8	98.0	66.4	4.8	91.4

Table notes:

1. *LIMS* means Low Intensity Magnetic Separation.
2. *Fe Rec.* means percent Fe recovery to concentrate.

It can be seen from Table 2 above that reverse flotation has reduced concentrate silica levels to 4.8%, which is suitable as blast furnace pellet feed. The opportunity exists to improve this result with test work optimisation and the use of pneumatic flotation rather than conventional tank flotation. These opportunities are being followed-up in the diamond core metallurgical test program currently being conducted at AMDEL's Perth facility.

CONCENTRATE SILICA MANAGEMENT

The positive test results from reverse flotation provide Cape Lambert with a second strategy to manage concentrate silica levels. Firstly, the northern resource area tends to produce low silica concentrates (DTR concentrates of 3-4% silica), whilst the central and southern areas of the resource tend to produce higher silica concentrates (DTR concentrates of 5-7% silica). This enables management through mine scheduling to blend the two material types for presentation to the Concentrator. The installation of a reverse flotation circuit as part of the Concentrator provides a second level of silica management. These two strategies provide a high level of confidence that saleable concentrate specifications (<5% silica) can be achieved from the Cape Lambert resource.

Yours faithfully
Cape Lambert Iron Ore Limited

Ian Burston
Executive Chairman

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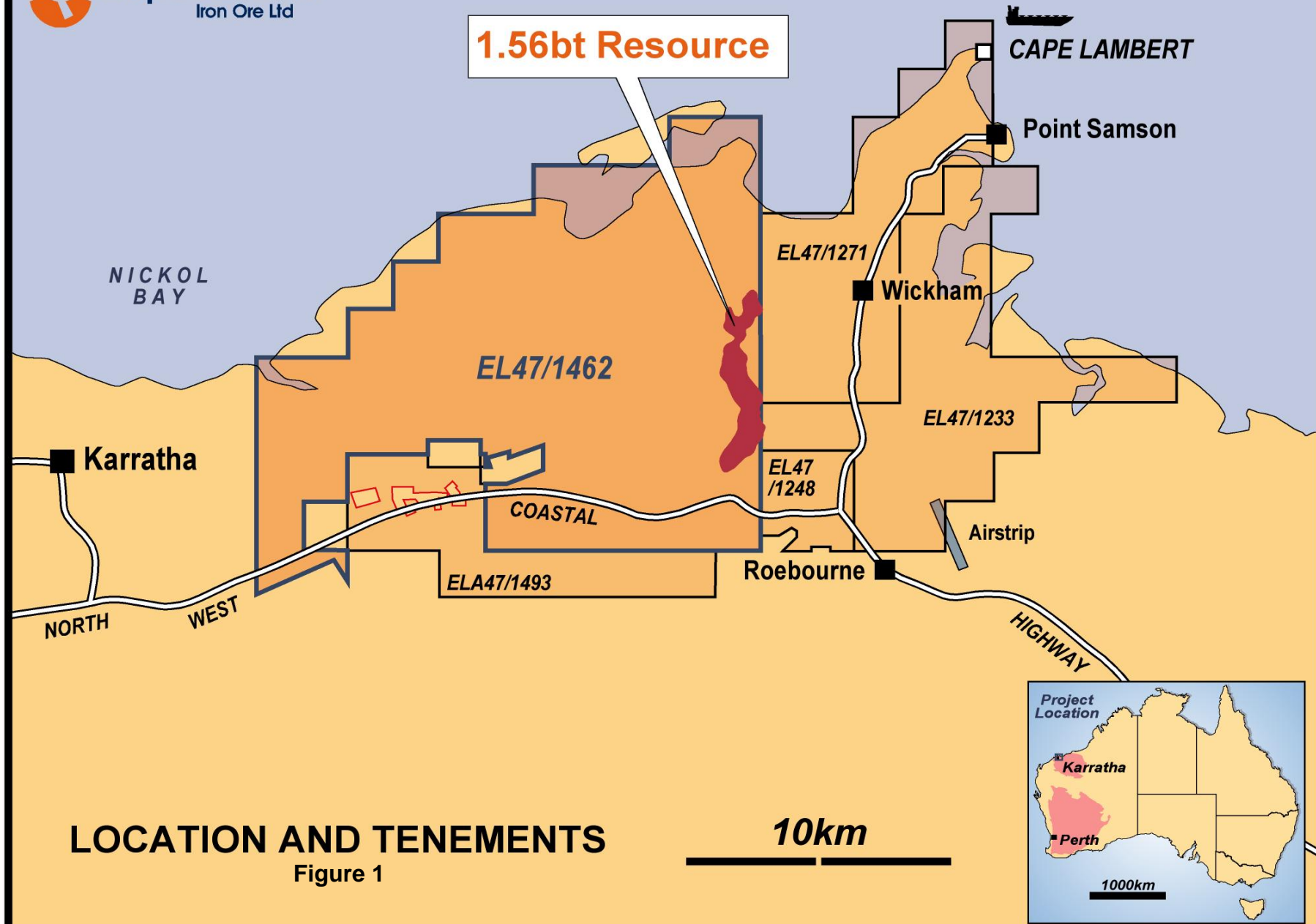
www.capelam.com.au

The metallurgical information in this report is based on information compiled 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: Drill Holes and Intervals used to prepare the 150kg Composite Sample.

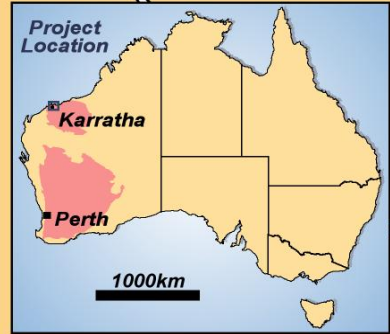
Hole_ID	MGA - 94		Sample (m)			DTR results				
	Easting	Northing	From	To	Interval	Recoverable	Fe grade (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
						Mag Wt (%)				
MA184	509456	7707555	80	104	24	42.6	63.4	8.7	0.28	<0.01
MA187	509608	7707333	108	128	20	23.1	65.4	7.0	0.63	<0.01
MA188	509126	7707349	64	96	32	26.6	64.9	6.9	1.03	<0.01
MA189	509761	7708548	96	140	44	41.0	64.4	8.2	0.49	<0.01
MA191	509398	7709757	64	80	16	37.2	66.0	5.8	0.47	<0.01
MA192	509506	7710300	256	288	32	32.4	62.4	8.9	0.78	<0.01
MA194	509311	7710602	168	208	40	34.2	65.2	6.7	0.36	<0.01
MA195	509633	7710818	88	120	32	26.6	67.9	4.5	0.30	<0.01
			196	240	44	21.8	63.8	8.4	0.39	0.01
MA197	509717	7710054	260	276	16	42.5	63.0	9.0	0.32	0.01
MA198	509945	7709640	176	220	44	32.9	63.4	8.3	0.55	0.01
MA201	509489	7711052	184	228	44	22.8	64.3	7.0	0.43	<0.01
MA202	509723	7710689	156	200	44	31.1	66.5	5.5	0.37	0.01
			268	316	48	32.5	64.0	7.7	0.43	0.01
MA207	509277	7711322	100	156	56	23.3	63.0	8.5	0.69	<0.01
MA210	510124	7708719	100	160	60	33.1	68.5	4.5	0.26	<0.01
MA211	510004	7708904	92	160	68	34.0	66.1	6.7	0.37	<0.01
MA228	510090	7709120	94	150	56	34.7	66.3	6.1	0.40	<0.01
MA231	510260	7708870	165	236	71	34.4	64.9	7.1	0.50	<0.01

1.56bt Resource



LOCATION AND TENEMENTS

Figure 1



Cape Lambert Iron Ore Project Reverse Flotation Silica Reduction Testwork

Figure 2

*Undertaken
by Amdel
Limited
Australia*

*Undertaken
by Iron Ore
Processing
Research
Institute,
Liebenburg
Germany*

