

Media release
14 February 2008

Testing at international research centre confirms production from Cape Lambert Iron Ore Project to be unaffected by silica

Key points:

- Testing at international research centre, using concentrate from an actual Company sample, has confirmed that worst case silica levels can be reduced significantly with minimal loss to Fe units,
- Results from this testing provides the Company with further confirmation that silica will pose no problems in the development of a world-class iron ore project at Cape Lambert,
- Cape Lambert remains on-track with development of its namesake iron ore project with an aggressive exploration program continuing,
- The resource at the project has recently grown to 1.56 billion tonnes grading 31.2% Fe, and in June of this year the Company will confirm a further resource upgrade, and
- It is the Company's intention, once the required resource is delineated, to develop an iron ore mine producing at least 15 Mtpa of concentrate for a plus 20 year life.

Australian iron ore exploration and development company, Cape Lambert Iron Ore Limited has successfully tested silica reduction programs, similar to those it is looking to implement at its namesake iron ore project in the Pilbara region of Western Australia, at a world renowned research centre in Germany.

A **reverse flotation**, silica reduction metallurgical test program was completed at the Iron Ore Processing Research Institute, a leading research centre based in Liebenberg Germany. The results of this test work were highly encouraging, with primary concentrate **silica levels reduced** from a worst case level of 8.3% to 4.8% - suitable for blast furnace pellet feed.

This testing also confirmed that despite the implementation of this silica reduction technology iron recovery levels are maintained at greater than 91% (i.e. minimal loss of Fe units).

On the results of this independent evaluation Cape Lambert Chairman Mr Ian Burston said, "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."

"Importantly, the tests were conducted on 50kg of concentrate produced from a 150kg composite sample utilising the proposed Cape Lambert flow sheet".

"Further reductions in primary concentrate silica levels are anticipated to be achieved through test work optimisation and the use of pneumatic flotation rather than conventional tank flotation," Mr Burston said.

Importantly, the additional capital expenditure associated with the installation of a reverse flotation circuit is estimated to be less than 5% of the total Concentrator capital cost, with minimal impact on operating costs.

The success of the reverse flotation testing provides Cape Lambert with a second strategy to manage concentrate silica levels.

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), therefore the Company can implement a mine scheduling program to blend ore from the two areas for presentation to the Concentrator.

Secondly, the installation of a reverse flotation circuit as part of the Concentrator provides a second level of silica management – as confirmed by this recent testing.

These two strategies provide a high level of confidence that saleable concentrate specifications (**less than 5% silica**) can be achieved from the Cape Lambert resource.

“I hope these results put-to-bed any doubts the market may have about Cape Lambert’s ability to produce a saleable final concentrate at less than 5% silica,” Mr Burston said.

Cape Lambert is currently undertaking an aggressive exploration program with the goal of delineating a resource robust enough to underwrite the development of the iron ore mine. Early this year the Company updated the **resource at the project** to **1.56 billion tonnes** grading 31.2% Fe, and in June of this year it plans to confirm a further resource upgrade.

It is the Company’s intention, once the required resource is delineated, to produce at least 15 Mtpa of concentrate for a plus 20 year life.

For further particulars, please refer to the Company’s ASX release of earlier today.

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