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The Company Announcements Office  
ASX Limited  
Via E Lodgement

## **Cape Lambert signs MoU with Chinese conglomerate for sale of namesake Iron Ore Project**

### **Key points:**

- Cape Lambert signs Memorandum of Understanding ("MoU") with Chinese conglomerate, China Metallurgical Group Corporation ("MCC"),
- MCC is a substantial, vertically integrated conglomerate with turnover of approximately US\$18 billion in 2007, which owns 20% of the A\$5.2 billion Sino Iron Project located 120km from Cape Lambert,
- MCC has until 30 April 2008 to complete due diligence and obtain Chinese government approvals for the acquisition of the Cape Lambert Iron Ore Project,
- As part of the MoU, MCC has paid a deposit of A\$10 million (A\$5 million non-refundable),
- Key terms of the proposed sale have largely been agreed, with a sale consideration of A\$400 million payable in three tranches, and
- The sale is subject to successful completion of due diligence by MCC, approvals by Cape Lambert shareholders, the Foreign Investment Review Board ("FIRB"), the Chinese government and any other necessary approvals.

Australian iron ore exploration and development company, Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX:CFE, AIM:CLIO) has signed an MoU with Chinese conglomerate, China Metallurgical Group Corporation ("MCC"), for the sale of the Company's namesake iron ore project (the "Project") located in the Pilbara region of Western Australia (refer Figure 1).

Under the terms of the MoU, MCC has secured an exclusive right (until 30 April 2008) to conduct due diligence for the acquisition of the Project.

MCC has paid a deposit of A\$10 million, with A\$5 million of this being non-refundable if MCC withdraws. The entire deposit will be offset from the sale consideration when MCC complete the acquisition of the Project.

The key terms of the proposed sale have largely been agreed. MCC will purchase the Company's entire Project land package (Exploration Licenses 47/1462, 47/1271, 47/1248 and 47/1233), other than Exploration License Application 47/1493, for a total consideration of A\$400 million. The consideration will be paid in three tranches; A\$240 million or 60% at settlement, A\$80 million or 20% sixty (60) days after settlement and A\$80 million or 20% on the grant of a mining lease. Importantly, the Company will receive 80% of the sale consideration, or A\$320 million, within 60 days of settlement.

MCC has total assets of approximately US\$20 billion (145 billion Yuan) and in 2007 the revenue and total profit of the group totalled approximately US\$18 billion (126 billion Yuan) and US\$1 billion (7.2 billion Yuan) respectively. It has completed design and construction assignments for approximately two thirds of the iron ore projects in China and undertaken

design and construction work for more than 90% of the steel mills in China. Its stated objective is to become a Fortune 500 company by 2010.

In Australia, MCC owns 20% of Citic Pacific Mining's A\$5.2 billion Sino Iron Project, located near Cape Preston, approximately 120km south west of the Cape Lambert iron ore project (refer Figure 1). MCC has also been awarded the EPC construction contract at the Sino Iron Project.

Cape Lambert Chairman Ian Burston said, "Our commitment has at all times focussed on the development of what we believe is a world-class iron ore project at Cape Lambert. However, this opportunity has the potential to deliver significant upfront value to shareholders and it was therefore incumbent on us to look at it."

"MCC as a substantial, vertically integrated conglomerate clearly has the technical and financial capacity to develop the Cape Lambert iron ore project. Importantly, MCC has a good understanding of large, Australian iron ore projects through its investment and construction involvement in the Sino Iron Project."

The proposed sale is subject to the successful completion of due diligence by MCC, approvals by Cape Lambert shareholders, FIRB, the Chinese government and any other necessary approvals.

On successful completion of the proposed transaction with MCC, the Board intends to follow an investment strategy to acquire assets at either company or project level. Cape Lambert will have significant cash reserves and will be ideally placed to pursue this strategy in an uncertain market where access to capital is tightening. The Company has recently reviewed a number of assets in West Africa and throughout Australia, and intends to step up the review of opportunities in the near term whilst assisting MCC with its due diligence.

The Company has excluded Exploration License Application E47/1493 from the proposed MCC sale. This tenement contains a 3km long, untested magnetic anomaly, which is thought to represent the southern strike extension of the Cape Lambert resource and lies within the highly prospective Cleaverville geological formation. Once granted (expected to take approximately 4 months) this tenement will become the focus of the Company's Pilbara exploration program.

Full details and information regarding the proposed sale will be sent to shareholders in the near future.

Yours faithfully  
Cape Lambert Iron Ore Limited

Ian Burston  
**Executive Chairman**

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**About MCC:**

MCC, under the direct supervision of the central government, has more than 70 fully owned and controlled subsidiaries, including nearly 20 overseas companies worldwide. It has a workforce of more than 47,600 technical and managerial employees. Further information about MCC may be found at [www.mcc.com.cn](http://www.mcc.com.cn).

