

12 September 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

Exploration Licence 47/1493 Now Granted and Drilling to Commence in October

Key points:

- **Drilling scheduled to commence at Cape Lambert South in October 2008 following the grant of Exploration Licence 47/1493;**
- **Second cash payment of AUD\$80 million now due to be received on 22 September 2008; and**
- **Announcement in regard to the timetable applicable to the reduction of capital and unfranked dividend to be made on or around 30 September 2008.**

Australian domiciled iron ore company, Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX: **CFE**, AIM: **CLIO**) is pleased to provide the following update to the market in regard to the Company's activities.

Cape Lambert South Project

The Cape Lambert South Project ("Project") is located in the Pilbara region of Western Australia, approximately 20km eastsoutheast of Karratha and 10km west of Roebourne. The Project is immediately south of, and is the extension to, MCC Mining (Western Australia) Pty Ltd's ("MCC Mining") 1.6 billion tonne magnetite project (refer Figure 1).

Cape Lambert had held an exploration licence application over this area since 2005. The application for Exploration Licence 47/1493 has now been granted by the Western Australian, Department of Industry and Resources ("DoIR"), thereby enabling the Company to progress to drill testing the 3km long, magnetic anomaly located in the licence area. To this end, Cape Lambert has filed a Program of Work for approval with DoIR and is scheduling a Native Title Heritage clearance of proposed drill collars for early October.

In parallel with gaining the DoIR and Native Title approvals required to enable drilling to commence, the Company has procured a drill rig through Grimwood Davies Pty Ltd, which is scheduled to commence drilling in mid to late October.

The initial reverse circulation drilling program, which is expected to be completed inside 3 months, comprises approximately 5,000m and has been developed to confirm the presence of magnetite iron mineralisation and to define the extent of the iron mineralisation. A second, infill program is planned to commence in March/April 2009 with the objective of providing sufficient geological information and confidence, which subject to exploration success, would enable a mineral resource estimate to be determined.

Sale of the Cape Lambert Iron Ore Project – Second Payment

Cape Lambert has previously announced that the second cash payment of AUD\$80 million to be received from MCC Mining in respect to the sale of the Cape Lambert Iron Ore Project was to be paid to the Company on or before 15 September 2008.

MCC Mining has advised the Company that it considers the date used to calculate the second payment date should be the date Settlement occurred (6 August 2008) rather than the date Settlement was to occur (31 July 2008). Following discussions with MCC Mining, the Company has accepted MCC Mining's position and the second payment is now to be made on or before 22 September 2008.

Return of Capital and Unfranked Dividend

As previously announced, the Board of Cape Lambert is proposing to undertake an equal reduction of capital via a cash distribution to Shareholders. In addition, the Board is also proposing to pay an unfranked dividend to Shareholders.

The amount to be paid to Shareholders by way of the unfranked dividend and return of capital will be calculated such that the total amount paid to Shareholders as a capital reduction and unfranked dividend is up to approximately AUD\$100M.

The exact amount that is paid to Shareholders by way of an unfranked dividend and return of capital will be determined after receipt of the second payment from MCC Mining and audit clearance of the accounts of the Company as at 30 June 2008.

The Board anticipates audit clearance of the accounts of the Company for the year ended 30 June 2008 on 19 September 2008 and the second payment from MCC Mining on 22 September 2008. Consequently, the Company anticipates making an announcement regarding the timetable applicable to the reduction of capital and unfranked dividend (including the Record Date) on or around 30 September 2008.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman

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