

18 September 2008

The Company Announcements Office
Australian Securities Exchange Limited

Via E Lodgement

Cape Lambert clarifies statements within Power United Limited Notice of Meeting

Key points:

- **Shareholders to carefully consider the resolutions proposed by Power United Limited (“Power”),**
- **Investment in Marampa Iron Ore Limited (“Marampa”) based on moderate initial investment in an exciting brown fields exploration project in line with the Company’s business and objectives,**
- **Decision to invest in Marampa made following more than 18 months of technical due diligence by the Company’s technical staff and consultants,**
- **Agreement structured to ensure substantive payments are only made on the receipt of positive results and at the sole election (option) of the Company,**
- **Company committed to payment of return of capital and unfranked dividend in coming weeks.**

The Board of Australian iron ore company Cape Lambert Iron Ore Limited (“Cape Lambert” or the “Company”) (ASX: **CFE**, AIM: **CLIO**) urges shareholders to carefully consider the resolutions proposed by shareholder Power.

On 16 September 2008, Cape Lambert advised that it had received a copy of a proposed notice of general meeting of shareholders to be convened by Power.

Cape Lambert was not involved in the preparation of the notice and accordingly, the notice is subject to legal advice on the validity of the notice and director nominations. Cape Lambert and its Directors are currently taking such advice and will keep shareholders informed of developments.

The purpose of this announcement is to clarify various statements contained in the Explanatory Memorandum to the Power notice of meeting.

Proposed investment in Marampa Iron Ore Project

On 2 September 2008, Cape Lambert announced it had entered into an agreement to make a 30% investment in Marampa Iron Ore Limited, a wholly-owned subsidiary of London Stock Exchange (**LSE**) listed company, African Minerals Limited (**AML**), and owner of the Marampa Iron Ore Project in Sierra Leone.

Under the terms of the proposed transaction, Cape Lambert will issue 44,000,000 Ordinary Shares (pursuant to the Company’s 15% threshold under the ASX listing rules) and commits to spend US\$25M on an exploration program and the funding of a definitive feasibility study. This agreement, which does not require shareholder approval, would give AML an approximate interest in Cape Lambert of 9%.

Power has highlighted the fact that shareholder approval is not being sought for the investment in the Marampa Project. The Company wishes to clarify that shareholder approval of the transaction is not being sought because it is not required under the Company’s constitution, the Corporations Act and the AIM Rules for Companies.

Furthermore, shareholder approval was sought and obtained for the disposal of the Cape Lambert Iron Ore Project and it was outlined in that notice of meeting that the Company would be seeking and assessing new projects utilising the funds obtained from the sale of the Cape Lambert Iron Ore Project.

Power has suggested that the Company has committed to a significant investment. However, the Marampa Project is a moderate initial investment in an exciting brown field exploration project in line with the Company's business and objectives and the agreement has been structured to ensure substantive payments are only made on the receipt of positive results and at the sole election (option) of the Company.

Subject to the initial exploration results and findings of the definitive feasibility study, Cape Lambert has the option to acquire 100% of the project for US\$200 million, less the aggregate of US\$25 million and the value of the 44,000,000 Cape Lambert shares (to be issued).

Control

Power has suggested that the purpose of the transaction is to "deliver effective control of the Company to parties associated with the current owner of the project without those parties being identified". This statement is potentially misleading given the number of shares to be issued to AML in the first stage of the investment is approximately 9% and at present there are two shareholders with a greater shareholding; as notified on 3 September 2008, Power itself has an interest in 11.38% of Cape Lambert and as of today Evraz Group S.A. holds an approximate interest of 16.53% in Cape Lambert (based on its most recent Form 603 lodged with ASX).

AML, being the ultimate holder of the Marampa project, is a LSE listed company and details of its shareholders and directors can be viewed at www.african-minerals.com.

Marampa Iron Ore Project Due Diligence

Power has also suggested that Cape Lambert's due diligence process into the Marampa Iron Ore Project will be completed "within 28 days". The Company wishes to correct this statement and notes that the decision to invest in Marampa was made following more than 18 months of technical due diligence by Cape Lambert technical staff and consultants.

This due diligence included the collation and review of a significant number of project-related reports, and visits to site by former Chairman Ian Burston, Senior Technical Advisor Joe Ariti, and other key technical staff and consultants.

The extensive due diligence conducted by the Company over this period is expected to enable it to complete the remaining legal due diligence on or before 30 September 2008.

Writ by London Mining PLC

The Company is fully aware that a writ has been lodged by London Mining PLC in regards to the Marampa Iron Ore Project.

The Company is currently conducting investigations into the basis and validity of the claim. Depending on the outcome of its investigations, it is anticipated that provisions protecting the Company's position will be included in the formal agreement.

Issue of options to staff and consultants

On 8 August 2008, the Board of Cape Lambert issued 8,350,000 unlisted Options to employees and consultants of the Company.

These Options were issued under the Company's 15% capacity under ASX Listing Rules and were offered as a cost effective reward to staff and consultants who played a key role in finalisation of Cape Lambert's transaction with Chinese conglomerate, China Metallurgical Group Corporation.

The Options are exercisable at \$0.50 each on or before 30 June 2010.

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. A resolution regarding the proposed equal reduction of capital was approved by shareholders at a General Meeting on 28 July 2008. In addition, the Board is also proposing to pay an unfranked dividend to shareholders as announced on 18 August 2008.

The amount to be paid to shareholders, as an unfranked dividend and return of capital, will be calculated such that the total amount paid is up to approximately AUD\$100M. The exact amount will be determined after an audit clearance of the Company's financial report as at 30 June 2008. The Board anticipates audit clearance will be given on 19 September 2008.

Consequently, the Company anticipates an announcement of the timetable applicable to the reduction of capital and unfranked dividend (including the Record Date) will be made before the end of September 2008.

Power has suggested that "the Board should consider paying a fully franked dividend". The Company notes that it did consider the payment of a fully franked dividend. However, the Company cannot currently pay a fully franked dividend as it does not have the requisite franking credits. A fully franked dividend could not be paid until late 2009 at the earliest, which is when the tax liability associated with the MCC transaction is paid.

The Board views a delay of that nature would not be in the best interests of shareholders, hence the decision to pay an unfranked dividend and provide a return of capital within the coming month.

The Board also wishes to confirm that AML will not be a party to either the return of capital or the unfranked dividend.

Directors statement

Tony Sage, Tim Turner and Brian Maher have provided a letter to the Company and requested that it be released to the market. Accordingly, the letter is attached to this announcement.

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18 September 2008

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RE: Power United's action is unnecessary, divisive and driven by an attempt to gain control of a company holding in excess of A\$340M

Dear Sirs,

As long-term committed Directors of your company we felt it necessary to respond to the recently announced Power United Limited (**Power**) Notice of Meeting. We feel this action promotes a sense of instability and uncertainty, represents an inappropriate and divisive attack on a cohesive Board structure and is in our view a tardy attempt to gain control of a Company that holds in excess of A\$340M.

We wish to bring to your attention the following inaccuracies:

- The investment in Marampa Iron Ore Limited (Marampa), owner of the Marampa Iron Ore Project in Sierra Leone, was made following more than 18 months of due diligence and with the full support of the Cape Lambert Iron Ore Limited (**Cape Lambert**) Board,
- The Board considered this to be a moderate initial investment in an exciting brown fields exploration project in line with the Company's business and objectives,
- The agreement was structured so as to ensure substantive payments are only made on the receipt of positive results and at the sole election (option) of the Company,
- It was not incumbent on the Board to seek shareholder approval for this transaction or the issue of unlisted Options to staff and consultants, as these events fell within the ASX Listing Rules,
- It is mischievous to suggest that as Directors we should have undertaken to issue fully franked dividends in place of the proposed unfranked dividend and return of capital as approved by shareholders. It was our considered opinion that a more timely distribution of dividends and capital would be preferred by our shareholders,
- It was the Directors of the Company who initiated the return of capital and payment of dividend (which will occur in the coming month),
- We strongly refute the suggestion that the investment in Marampa poses a risk to the current or future ownership structure of the Company. Under the terms of the agreement LSE listed company Africa Minerals Limited will receive a direct shareholding in the Company, post the proposed transaction, of approximately 9%, and
- We believe significant shareholders Power United (present holding 11.38%) and Evraz Group S.A. (present holding 16.53%) pose a greater potential "risk" to the effective control of the Company.

As Directors who successfully completed the “company making” transaction with Chinese conglomerate, China Metallurgical Group Corporation (**MCC**), we feel we have proven our dedication and diligence to both the Company and its shareholders over the long-term.

This transaction, which remarkably has seen 80% of the funds (A\$320M) paid within six weeks of settlement, has ensured Cape Lambert is in an extremely strong financial position at a time of significant instability in world financial markets.

In closing, we strongly refute the inferences made by Power in their Notice of Meeting and strongly recommend shareholders vote **AGAINST** all resolutions put forward by them. We are currently seeking legal advice as to the validity of the Power Notice of Meeting.

We request this letter be provided to Cape Lambert Shareholders in the timeframe and manner deemed most appropriate by the Company.

Kind regards

Anthony (Tony) Sage

Brian Maher

Timothy Turner