

2 October 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

A\$100 Million Return of Capital and Unfranked Dividend

Australian iron ore company Cape Lambert Iron Ore Limited (“**Cape Lambert**” or the “**Company**”) (ASX: **CFE**, AIM: **CLIO**) released the Company’s audited accounts for the year ending 30 June 2008 on 30 September 2008.

Following the release of these audited accounts, the Board has been able to determine the timetable for the equal reduction of capital (to be made via a cash distribution to Shareholders) and payment of an unfranked dividend, which was approved by Shareholders on 28 July 2008.

In accordance with the ASX Listing Rules, the timetable applicable for the return of capital and dividend is outlined below:

Event	Date
Announcement of Dividend and Return of Capital	2 October 2008
Effective Date	14 October 2008
Trading in Shares starts on an “ex return of capital basis” and “ex dividend basis”	14 October 2008
Record Date	20 October 2008
Payment Date and Dispatch Date	24 October 2008

As outlined above, the record date for these payments will be 20 October 2008, which the Board believes will provide Option holders wishing to take part in the return of capital and receive the unfranked dividend sufficient time to convert their options.

The capital return cash distribution and dividend payment will be made to Shareholders on 24 October 2008. The Company via its share registry, Computershare Investor Services Limited, has sent information requesting tax file number notification to all registered Shareholders and we ask that these documents are completed and returned as soon as practically possible.

The Board has determined that the total payment (capital reduction cash distribution and dividend payment) to be made to Shareholders comprises approximately:

- Return of Capital 31.25%
- Unfranked dividend 68.75%

It is determined that the total payment (as at 2 October 2008) is approximately A\$0.227 per share, however, the final payment per share will not be known until the record date.

Executive Chairman, Tony Sage commented "The Board is pleased to have delivered such a significant cash return to Shareholders so soon after 80% of the funds were received from MCC". He further added "In total, the Company has returned A\$100 million to Shareholders".

The Board is committed to using the successful completion of the MCC sale to build a solid foundation for the Company's future growth, which it believes will ensure Shareholders continue to receive a significant return on their investment.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman

FOR MORE INFORMATION PLEASE CONTACT:

Cape Lambert Iron Ore Limited:
Tony Sage +61 (0)8 9380 9555

Australian Enquiries:
Professional Public Relations
David Tasker +61 (0)8 9388 0944/ +61 433 112 936

UK Enquiries:
Nominated Adviser:
Grant Thornton UK LLP
Fiona Owen +44 (0)20 7383 5100

AIM Broker:
Collins Stewart Europe Limited
Adrian Hadden +44 (0)20 7523 8353
Oliver Quarmby +44 (0) 20 7523 8354

Conduit PR:
Jos Simson +44 (0)20 7429 6603/+44 (0)7899 870 450
Jane Stacey +44 (0)20 7429 6606

Website: www.capelam.com.au