

7 October 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

Listed Option Expiry

The Company would like to advise that listed options in the Company (ASX:CFEO) exercisable at 27.7 cents on or before 31 October 2008, will expire 5:00pm (Western Australian Daylight Saving Time) on 31 October 2008.

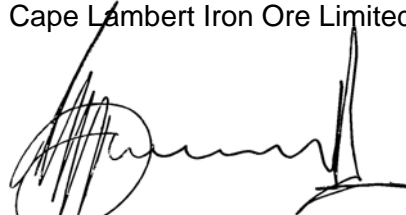
The attached letter is an example of the notification that will be received by all registered Optionholders shortly.

In accordance with the ASX Listing Rules, we provide the following details:

Option exercise price	\$0.277
Last day of Trading in Listed Options	24 October 2008
Market Price of Shares (ASX:CFE) (close price, 6 Oct 08)	\$0.41
In the 3 Months preceding this notice the Highest Market Price for Shares (ASX:CFE) (intra-day price, 21 July 08)	\$0.92
In the 3 Months preceding this notice the Lowest Market Price for Shares (ASX:CFE) (intra-day price, 30 Sept 08)	\$0.33

Options not exercised by 5pm (WDST) on 31 October 2008 will expire.

Yours faithfully
Cape Lambert Iron Ore Limited



Timothy Turner

Company Secretary

FOR MORE INFORMATION PLEASE CONTACT:

Cape Lambert Iron Ore Limited:
Timothy Turner +61 (0)8 9380 9555

Website: www.capelam.com.au

7 October 2008

[Optionholder name]
[Optionholder Address]

Computershare Investor Services
[Holder No.]
[No. options held]
[Shares to be allocated]
[Amount payable]

Dear [Optionholder]

LISTED OPTION EXPIRY

Notice is hereby given that the final date for exercising the Company's 27.7 cents, 31 October 2008 listed options (ASX:CFEO) is 5:00pm (Western Australian Daylight Saving Time) on 31 October 2008. The exercise price is 27.7 cents per option. Optionholders will be issued with one new fully paid ordinary share in Cape Lambert Iron Ore Limited for each option exercised.

Options not exercised by 5:00pm (WDST) 31 October 2008 will expire. Quotation of the options will cease at the close of trading on Friday 24 October 2008. Failure to exercise the Option will result in the forfeiture of any rights that the Optionholder may have in relation to the Ordinary shares.

To convert your Options to Ordinary Shares (Exercise of Options) please complete the option exercise form attached and forward with your payment to:

Postal address:
Computershare Investor Services
GPO Box D182
Perth WA 6840

Street address:
Computershare Investor Services
Level 2, 45 St Georges Terrace
Perth WA 6000

Cheques should be made payable to **Cape Lambert Iron Ore Limited**. Receipt for payment will not be forwarded.

During the three months preceding the date of this notice the highest sale price and the lowest sale price of Ordinary Shares in Cape Lambert Iron Ore Limited was \$0.92 on 21 July 2008 and \$0.33 on 30 September 2008 respectively. The latest available market sale price on the Australian Securities Exchange Ltd before the date of this notice was \$0.41 on 6 October 2008.

If you wish to clarify any taxation consequences relating to the exercise of options, please consult your solicitor, accountant or professional adviser.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Timothy Turner
Company Secretary