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The Company Announcements Office
ASX Limited

Via E Lodgement

Cape Lambert Honours Commitment and Confirms AUD\$100M Shareholder Return

Australian based iron ore company Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX: **CFE**, AIM: **CLIO**) has honoured a commitment made by the Company and approved by shareholders on 28 July 2008, finalising the key terms of the AUD\$100M return of capital and dividend payment.

At the record date for the return of capital and dividend (20 October 2008) a total of 462,295,975 CFE Ordinary Shares were on issue and eligible for the return of capital and dividend payment. As such, the total payment to be made is approximately AUD\$0.217 per share and comprises:

- return of capital 31.25%, being \$0.068 per share; and
- unfranked dividend 68.75%, being \$0.149 per share.

The return of capital and dividend payment will be issued and dispatched to shareholders on 31 October 2008.

Cape Lambert Chairman Tony Sage believes that despite the global financial uncertainty it was important for the Company to honour the commitment made to shareholders.

"At this time of turmoil in global financial markets, it is extremely pleasing that decisions taken by the Board have delivered such a significant cash return to shareholders."

"The sale of the Company's flagship asset, to MCC Mining (Western Australia Pty Ltd), a wholly owned subsidiary of Chinese company China Metallurgical Group Corporation, has positioned Cape Lambert with significant cash reserves which provide the foundation for the Company's future growth. "Mr Sage said.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Director

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