

27 November 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

Market Update

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 market update on its activities.

Cape Lambert South (100% interest)

The Company commenced an initial drilling program at its Cape Lambert South Project, which is located in the coastal Pilbara region of Western Australia (refer Figure 1), in late October 2008.

This initial drilling program, which comprises 19 reverse circulation ("RC") and 2 diamond holes for a total advance of approximately 4,000 metres, has been designed to confirm the presence and extent of magnetite iron mineralisation.

To date, the Company has completed eight (8) RC drill holes for a total advance of approximately 1,620 metres. The program remains on schedule and is expected to be completed in mid to late December 2008.

Notwithstanding the current pull back in drilling activities by resource companies, assay laboratories are still working through the prior back log with current Davis Tube Recovery test work turnarounds in the order of two (2) months. Consequently, the Company does not expect to release results from this initial drilling program until after the Christmas period.

Marampa Iron Ore Project (30% interest & Manager)

The Company notes African Mineral Limited's ("African Minerals") (AIM: **AMI**) announcement dated 21 November 2008¹ in respect of London Mining plc ("London Mining") withdrawing its application before the High Court of Sierra Leone, for an injunction against African Minerals in respect of a dispute regarding the extent of Marampa Exploration Licence (EXPL 09/06).

The Company was not a party to the London Mining action, but is pleased that this matter between African Minerals and London Mining now appears to be resolved.

Power United Limited Shareholding

The Company also wishes to advise that it was recently served with a Freezing Order granted by the Supreme Court of Western Australia on 31 October 2008 in respect of Power United Limited's ("Power") 50,000,000 Cape Lambert shares (equating to 9.87% of the Company). As a result of the Freezing Order, Power is restricted from dealing with any shares or options in Cape Lambert or any rights attaching to such shares or options.

¹ A full copy of the African Mineral's announcement can be viewed at <http://www.londonstockexchange.com/LSECWS/IFSPages/MarketNewsPopup.aspx?id=2027834&source=RNS>

Power is also required to pay into Court all amounts received in its capacity as the registered holder of any Cape Lambert shares, including, but not limited to, payments of dividends and payments by way of returns or capital.

Cape Lambert is not a party to the action and is not involved other than it was served with a copy of the Freezing Order, along with Computershare (Cape Lambert's share registry). The Company is also required by the Freezing Order to deliver the cheque for the payment of the recent dividend and return of capital to a receiver appointed by the Court.

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

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

