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The Company Announcements Office
ASX Limited

Via E Lodgement

Market Update

Key points:

- Initial drill program designed to confirm presence and extent of magnetite iron mineralisation at Cape Lambert South (Australia) on track to be completed by mid December 2008,
- Results from Cape Lambert South drilling to be received in early 2009,
- Planning and definition of the initial work program, including recruitment of several expatriate project management personnel, completed for Marampa Iron Ore Project (Sierra Leone),
- Initial work program at Marampa Iron Ore Project, to commence in January 2009, will involve regional mapping, geophysics, drilling and metallurgical test work on the tailings (including recovery of a bulk sample for pilot scale work in Australia) and drill testing of the known geophysical anomalies, and
- Company continues to review a large number of investment opportunities at both the asset and company level, to leverage its strong cash position (over AUD\$220M cash at bank).

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, 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 8 December 2008, the Company has completed thirteen (13) RC drill holes for a total advance of approximately 3,740 metres. In addition, the first of two planned diamond holes has commenced. The program remains on schedule for completion by mid December 2008.

Drilling activities are planned to recommence at Cape Lambert South in late March 2009, following the end of the Pilbara cyclone season.

Up to and including 2 December 2008, the Company had submitted approximately 270 samples for Davis Tube Recovery ("DTR") test work. Notwithstanding the industry slowdown, laboratory DTR turnarounds remain 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)

On 1 October 2008, Cape Lambert made a 30% investment in the Marampa Iron Ore project ("Project") located in Sierra Leone, West Africa. Pursuant to the terms of its investment, Cape Lambert is the Manager of the Project.

The Company has now completed planning and definition of the initial work program, including recruitment of several expatriate project management personnel, who will mobilise to the Project in mid January 2009.

The initial work program will involve regional mapping, geophysics, drilling and metallurgical test work on the tailings (including recovery of a bulk sample for pilot scale work in Australia) and drill testing of the known geophysical anomalies.

Business Development

Cape Lambert is aware of continued market speculation and media reports regarding the application of its cash reserves to the acquisition of mineral assets and companies, both in Australia and overseas.

The Board of Cape Lambert wishes to reiterate its commitment to the exploration of its iron ore assets in Australia and West Africa, while at the same time implementing an investment strategy that leverages off its strong cash position (over AUD\$220M cash at bank).

This investment strategy has been in place for a number of months and has seen the Company review a large number of investment opportunities at both the asset and company level, and conduct discussions with a number of companies regarding potential transactions. Such discussions are ongoing, at all times confidential in nature and at this stage remain incomplete.

Should any discussions reach a more complete stage the market will be advised accordingly.

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