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The Company Announcements Office
ASX Limited

Via E Lodgement

Cape Lambert increases investment in Marampa Iron Ore Limited

Australian domiciled iron ore company Cape Lambert Iron Ore Limited (“**Cape Lambert**” or the “**Company**”) (ASX: **CFE**, AIM: **CLIO**) has today reached agreement with Marampa Iron Ore Limited (“**Marampa**”), a subsidiary of African Minerals Limited (“**African Minerals**”) (AIM: **AMI**), to increase its investment in Marampa, the holder of the Marampa Iron Ore Project in Sierra Leone to approximately 35%.

The consideration payable by Cape Lambert for its increased investment in Marampa is the issue of 17 million fully paid ordinary Cape Lambert shares to Marampa. These shares are to be issued to Marampa under the Company’s 15% threshold in accordance with the ASX listing rules.

Prior to entering into the Initial Marampa Agreement on 1 October 2008, the Company conducted extensive due diligence on the Marampa Project and believes that the Project has the potential to become a significant iron ore project, and as such, the Company could return such value to the Company and its shareholders.

This view has been enhanced by discussions with potential off-take partners and other parties interested in the joint development of the Marampa Project and/or related infrastructure and desktop studies of the Marampa Project by Cape Lambert technical advisors.

For predominately these reasons the directors of Cape Lambert feel it timely to increase the Company’s investment in Marampa.

On 1 October 2008, Cape Lambert announced that it had entered into an agreement to make a 30% investment in Marampa, owner of the Marampa Iron Ore Project, through the issue of 44 million Cape Lambert shares and agreement to sole fund the first US\$25 million toward a definitive feasibility study at the Marampa Project (“**Initial Marampa Agreement**”). The Company notes that its announcement of 1 October 2008 incorrectly stated that the 44 million Cape Lambert shares, issued pursuant to the Initial Marampa Agreement, were issued to African Minerals. These shares were in fact issued to Marampa.

Under the Initial Marampa Agreement, the Company also holds an exclusive option to invest further in Marampa by acquiring from African Minerals the outstanding shares in Marampa, which would result in Marampa becoming a wholly-owned subsidiary of Cape Lambert, at a price of US\$200 million, less the aggregate of (i) US\$25 million and (ii) the value of the 44 million Cape Lambert shares (already issued) and the 17 million shares (to be issued) as at the date of closing of the transaction. The option may be exercised at any time during the feasibility study period and for a period of three months immediately after its finalisation.

As manager of the Marampa Project, Cape Lambert has completed planning and definition of the initial work program, which included recruitment of several expatriate project management personnel, who have now mobilised and are in country.

The initial work program at Marampa has commenced, which 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.

The Company has also held discussions with parties interested in joint development of the Marampa Project and/or the development of the related infrastructure. These parties will visit the Marampa Project in the coming weeks so as to progress these discussions.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman

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