

Cape Lambert to conduct a non dilutionary allocation of shares to directors key staff and consultants

Australian resources company, Cape Lambert Iron Ore Limited (ASX: **CFE**) (“**Cape Lambert**” or the “**Company**”) plans to undertake a non dilutionary allocation of shares to reward and retain directors, key staff, and consultants of Cape Lambert who have played a significant role in the growth of the Company in recent years.

In total 6,996,784 ordinary shares in the Company, which have already been issued, will be allocated, of which 2,576,784 will be allocated to directors of the Company (subject to shareholder approval) as follows:

Name	Number of shares
Tony Sage	1,826,784
Tim Turner	400,000
Brian Maher	350,000

The remaining shares will be allocated to key staff and consultants of Cape Lambert as determined by the board.

As previously announced on 29 June 2009, a restructure was undertaken pre completion of the CopperCo transaction such that Cape Lambert would receive the benefit of any consideration ultimately obtained for other investments held by the receiver/administrator to CopperCo Limited. The 6,996,784 shares being allocated are already on issue, having been held by the appointed receiver/administrator to CopperCo Limited as per the recently completed offer for Corvette Resources Limited by Cape Lambert. The receiver will transfer the shares to the employees, consultants and directors of Cape Lambert.

“While these shares could have been cancelled, the board felt it more appropriate to use these already issued shares to reward key staff, directors and consultants of the Company for the roles they have individually played in the overall success of the Company in recent years and more importantly incentivise them to continue their association with the Company in the future,” Cape Lambert Chairman Tony Sage said.

In the past 12 months, during a period of significant uncertainty in global financial markets, Cape Lambert has completed the following milestones:

- Sold its namesake iron ore asset in Western Australia to Chinese group MCC for A\$400 million (receiving A\$320 million in cash with the final payment of A\$80 million deferred until the second half of 2010);
- Returned A\$100 million to shareholders via a special dividend and return of capital;

Cape Lambert is an Australian domiciled, mineral investment company. Its current investment portfolio is geographically diverse and consists of mineral assets and interests in mining and exploration companies.

The Company continues to focus on investment in early stage resource projects and companies, primarily in iron ore, copper and gold. Its “hands on” approach is geared to add value and position assets for development and/or sale.

The Board and management exhibit a strong track record of delivering shareholder value.

Australian Securities Exchange Code: CFE

Ordinary shares
536,619,804

Unlisted options (30 June 2010)
8,350,000

Unlisted options (31 Oct 2010)
28,000,000

Board of Directors

Tony Sage Executive Chairman
Tim Turner Non-executive Director
Brian Maher Non-executive Director

Eloise von Puttkammer
Company Secretary

Key Projects and Interests

Lady Annie Copper Project
Sappes Gold Project
DMC Mining Limited
Corvette Resources Limited

Cape Lambert Contact

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- Acquired a 35% interest in the Marampa iron ore project located in Sierra Leone, West Africa for a scrip consideration valued at approximately US\$20 million;
- Acquired the assets of the former CopperCo group, which amongst other things includes the Lady Annie oxide copper mine in Queensland, Sappes gold project in Greece and a 25% interest in the high-grade, lead-zinc-silver Lady Loretta project also located in Queensland, for A\$120 million;
- Acquired Mojo Minerals Limited in a scrip deal valued at A\$1.75 million; and
- Issued approximately A\$46 million in convertible notes to eight resources companies with significant project potential.

To date Cape Lambert, via its wholly owned subsidiary Dempsey Resources Limited, has converted two of the Convertible Notes, in Cauldron Energy (ASX: CXU) and DMC Mining (ASX: DMM), giving its' stake in these 2 companies of 18.7% and 36.3% respectively.

Cape Lambert has also significantly enhanced its exposure to Australian and international institutions and funds in recent months, with approximately 25% of the Cape Lambert share register now held by these groups. Analyst coverage has also increased significantly, with a number of the major broking houses in Australia and Europe initiating coverage on the Company in 2009.

"Since its inception Cape Lambert has not issued shares to directors of the Company, furthermore the board felt it was an appropriate time to reward the key staff and consultants for the significant role they have played in assisting the Company achieve its recent successes," Mr Sage added.

The shares to be issued to staff and directors will be escrowed until 30 June 2010 and if they cease to be employed by the Company the shares will be forfeited. The shares issued to directors will be subject to shareholder approval.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman