

20 October 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

Dear Sir/Madam,

MARKET UPDATE PRESENTATION

The Company's Executive Chairman, Mr Tony Sage, is in London for the week of 20 October 2008, where he will make a series of presentations to brokers and analysts.

We attach herewith a copy of Mr Sage's presentation.

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Tony Sage
Executive Chairman



**Market Update
October 2008.**

Disclaimer



This presentation has been prepared by Cape Lambert Iron Ore Limited (“Cape Lambert” or the “Company”). It should not be considered as an offer or invitation to subscribe for, or purchase any, securities in the Company or as an inducement to make an offer or invitation with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this presentation.

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Throughout the presentation all figures are quoted in A\$ dollars unless otherwise stated.

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Information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on previous announcements made by Cape Lambert to the ASX and AIM.

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- At a Glance

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- Cape Lambert South Project

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- Marampa Iron Ore Project

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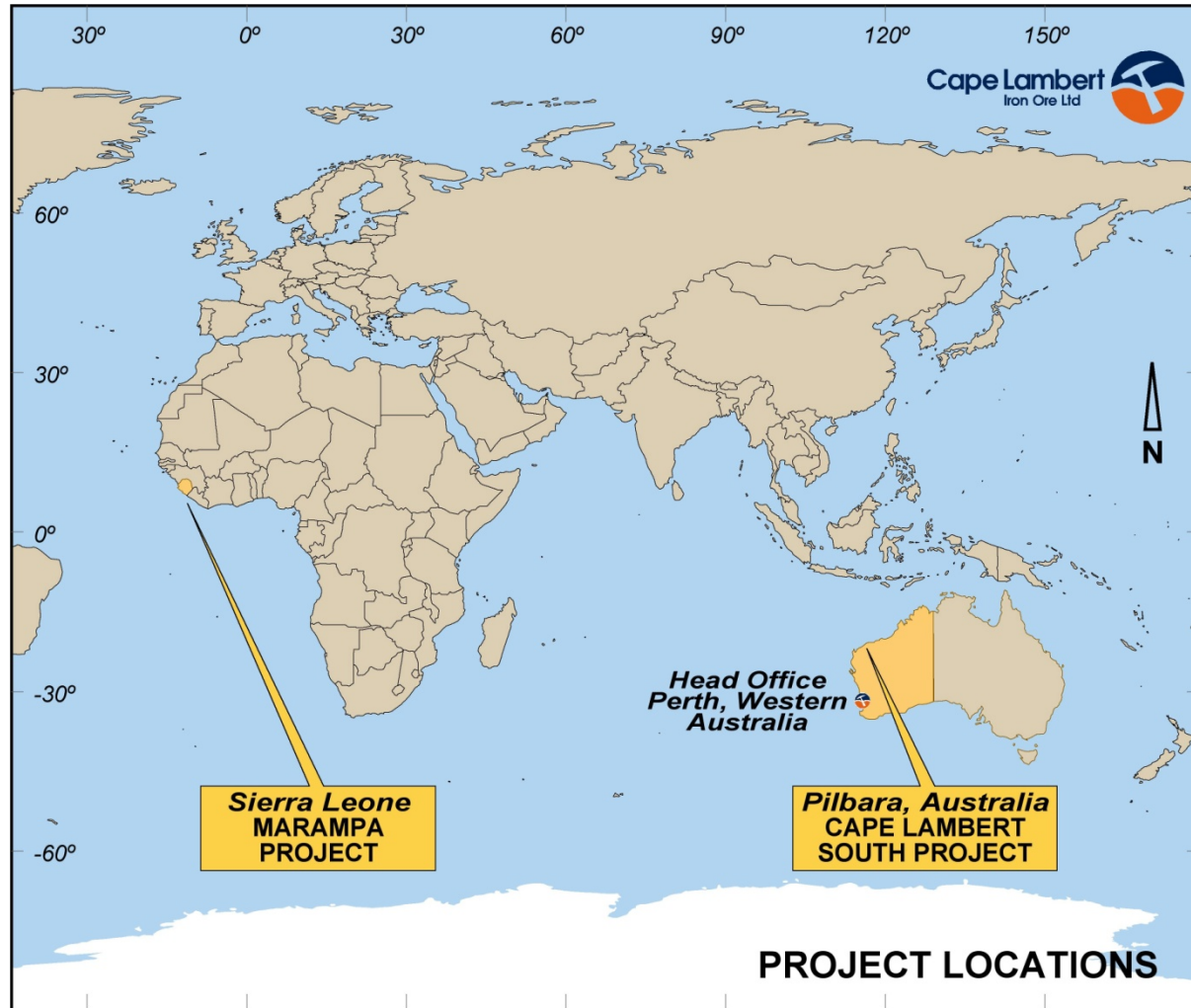
- Summary

At a Glance



- ▶ Australian domiciled, iron ore exploration and development company,
- ▶ Interests in 2 early definition iron ore assets;
 - ▶ Cape Lambert South, 100% interest, magnetite, located in the coastal Pilbara region of Western Australia,
 - ▶ Marampa iron ore project, 30% investment & Manager, specular hematite, located in Sierra Leone, West Africa.
- ▶ Cash reserves of ~A\$330 million,
- ▶ Standard & Poors ASX 300 company and AIM listed,
- ▶ Evraz Group S.A. largest shareholder,
- ▶ Recent track record of delivering shareholder value.

Project Locations



Strategy Going Forward



- ▶ Leverage off substantial cash reserves,
- ▶ Invest in a portfolio of early definition iron ore and related steel making assets,
- ▶ Add value to the assets through defining JORC resources, metallurgical quality and mining development plans,
- ▶ Position the assets for either development and/or sale,
- ▶ Balance success risk with 4-6 investments with geographical diversity,
- ▶ Current turmoil in financial markets is generating investment opportunities.

Corporate Snapshot



Dash Board Summary (10 October 2008)

Shares on issue	488.21m
Options on issue	65.73m
Share price (pre ex roc & dividend)	A\$0.38
Market capitalisation (fully diluted)	~A\$213m
Cash reserves (pre roc & dividend)	~A\$330m
Average daily volume (last 6 months)	~2.6m

Board and Senior Management

Board

Tony Sage	Executive Chairman
Tim Turner	Non-Executive Director & Deputy Chairman
Brian Maher	Non-Executive Director
Peter Landau	Non-Executive Director

Senior Management

Joe Ariti	EGM
Kim Bischoff	GM - Exploration
Jeff Hamilton	Project Manager

Capital Structure (10 October 2008)

Ordinary shares (ASX:CFE, AIM:CLIO) **488.21m**

Options on issue

Expiry	Strike (A\$)	Quantity
31-Oct-08 (ASX: CFEO)	0.277	25.98m
22-Oct-08	0.427	0.10m
30-Jun-09	1.40	3.30m
30-Jun-10	0.50	8.35m
31-Oct-10	0.377	28.00m
Total Options		<u>65.73m</u>

Fully Diluted **553.94m**

Major Shareholders (10 October 2008)

ANZ Nominees	17.7%
Evraz Group	12.4%
Power United	10.2%
Marampa Iron Ore	9.0%
HSBC Nominees	6.1%
Directors & Management	4.9%

Top 20 **75.3%**

Past 6 Months in Review



- ▶ Successful closing of the AUD\$400 million sale with China Metallurgical Group Corporation (MCC),
- ▶ Receipt of A\$320 million in cash from the MCC sale – 80% of sale consideration (final A\$80 million expected to be received in approximately 2 years hence),
- ▶ AUD\$100 million in total, return of capital (31.25%) and unfranked dividend (68.75%) to be paid to shareholders on 31 October 2008,
- ▶ Grant of the Cape Lambert South exploration licence with drilling to commence at the end of October,
- ▶ 30% investment in the Marampa Iron Ore Project in West Africa.

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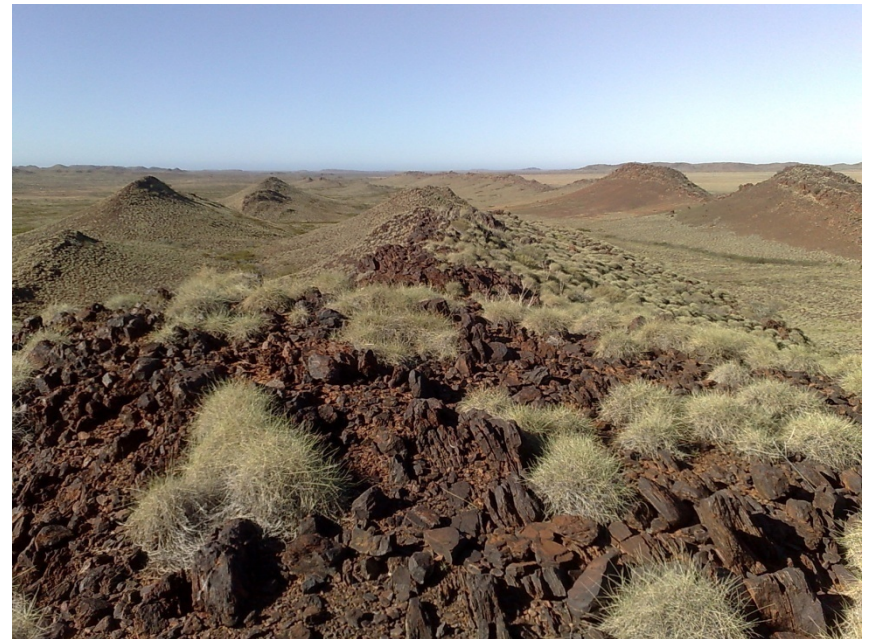
- Marampa Iron Ore Project

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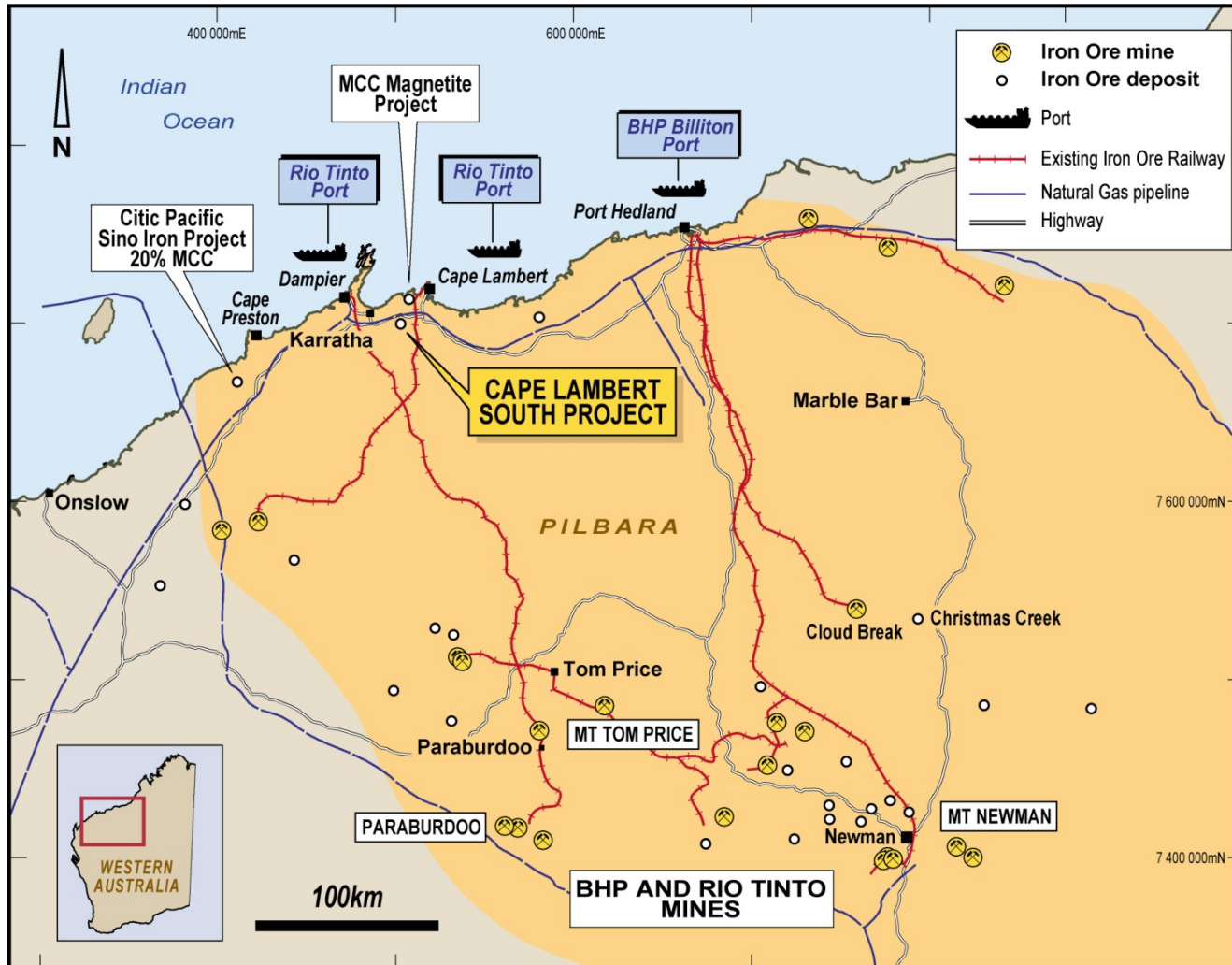
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Cape Lambert South

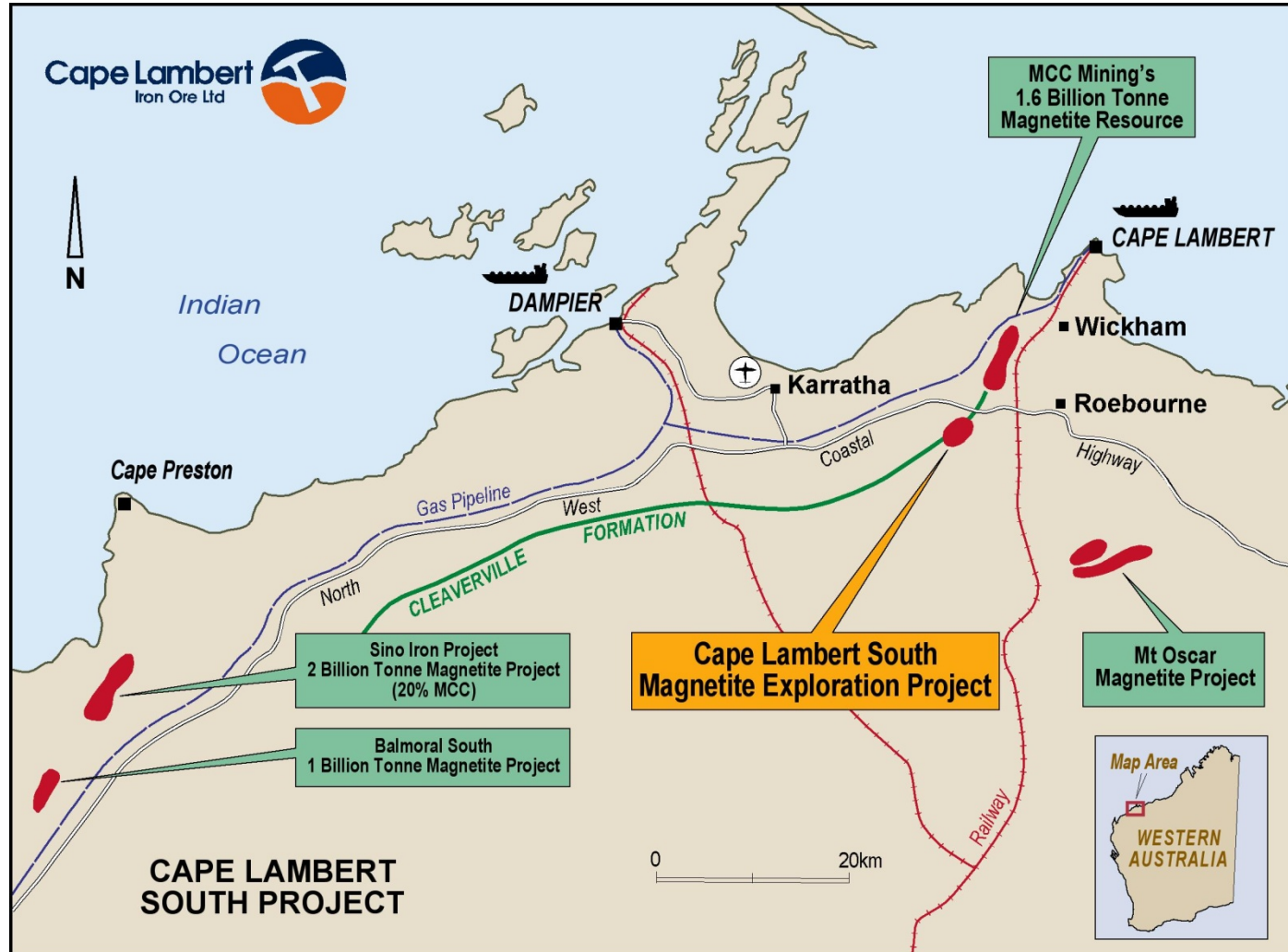
- ▶ Magnetite project,
- ▶ Untested 3km long, magnetic anomaly on the Cleaverville formation,
- ▶ Southern extension of MCC's 1.56 billion tonne magnetite project,
- ▶ Near term objective is to defined an initial JORC resource inside the next 12 months,
- ▶ Drilling to commence late October 2008,
- ▶ Proposed expenditure to December 2009 of A\$6 million.



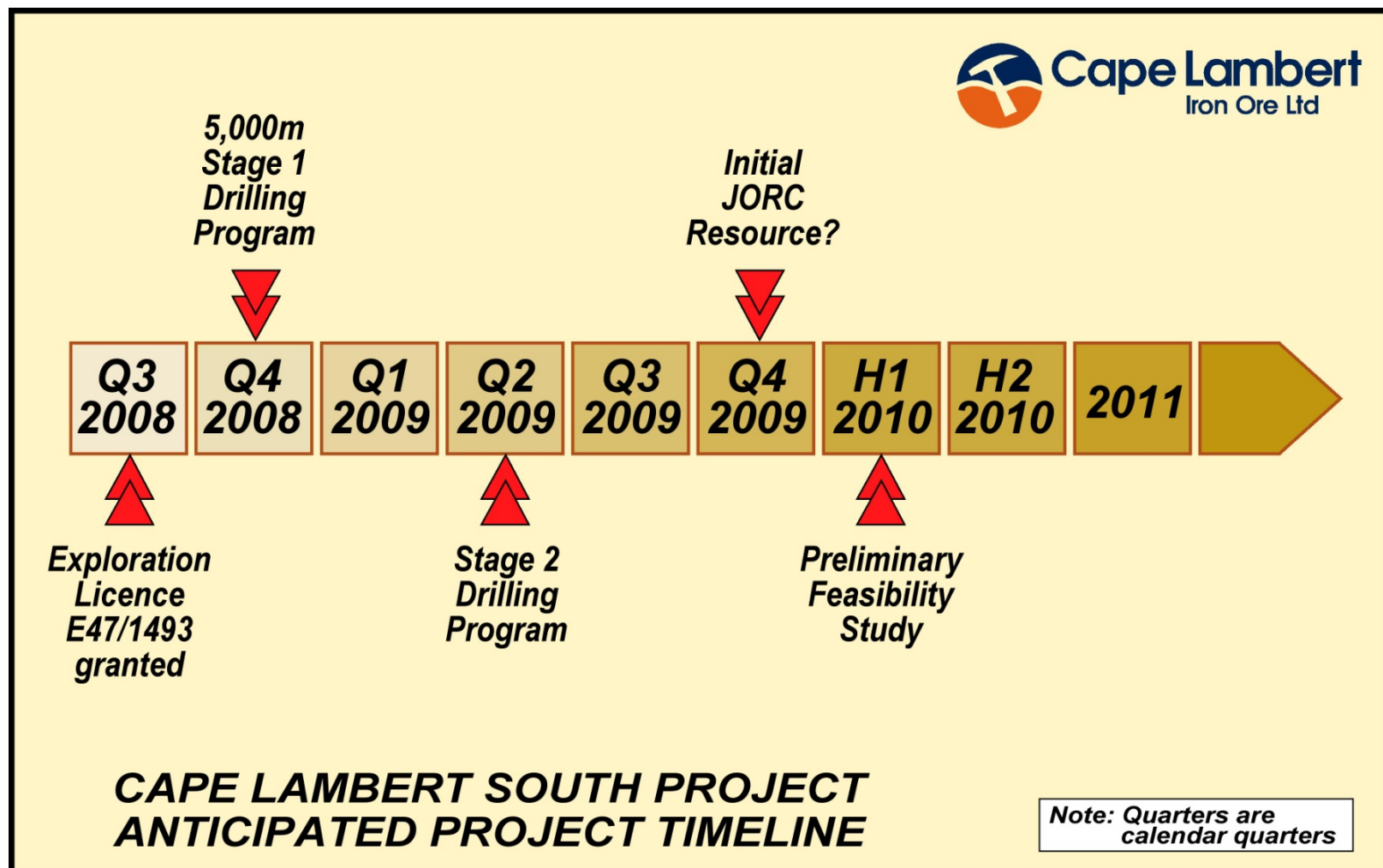
Near Infrastructure



Southern Extension



Project Timeline



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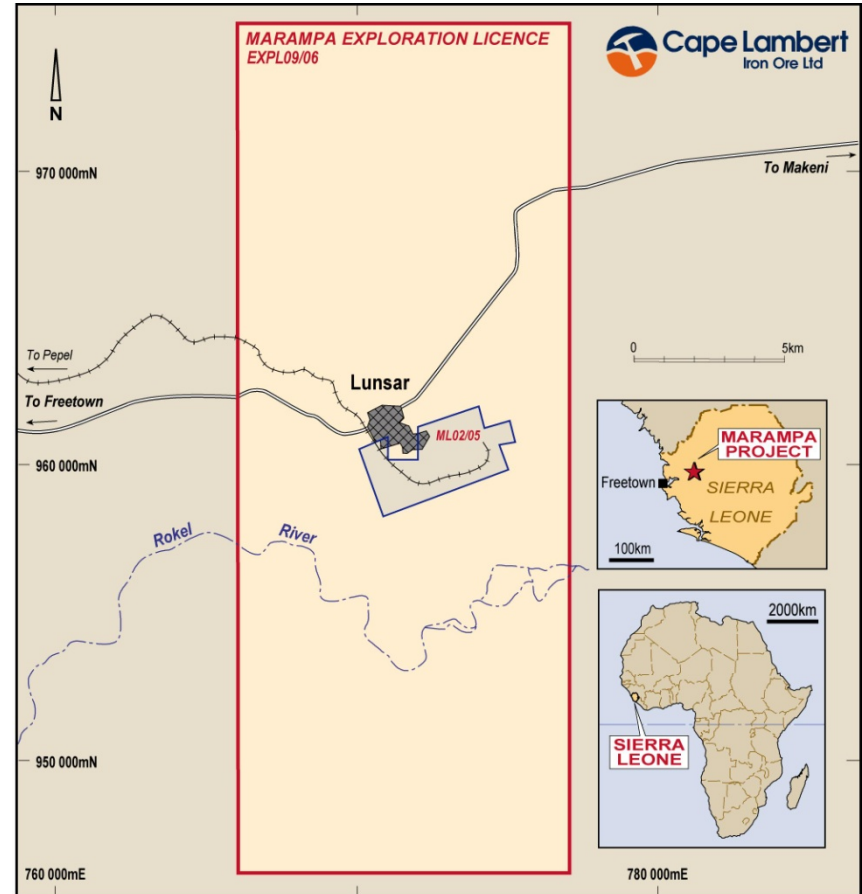
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Marampa

- ▶ Specular hematite project,
- ▶ 30% investment and Manager,
- ▶ 319km² exploration licence surrounding former iron ore mine workings,
- ▶ Proximal to existing mineral railway that terminates at Pepel port,
- ▶ Inventory of tailings - potential starter operation and early cash flow,
- ▶ Walk-up drill targets and underexplored regional prospectivity.

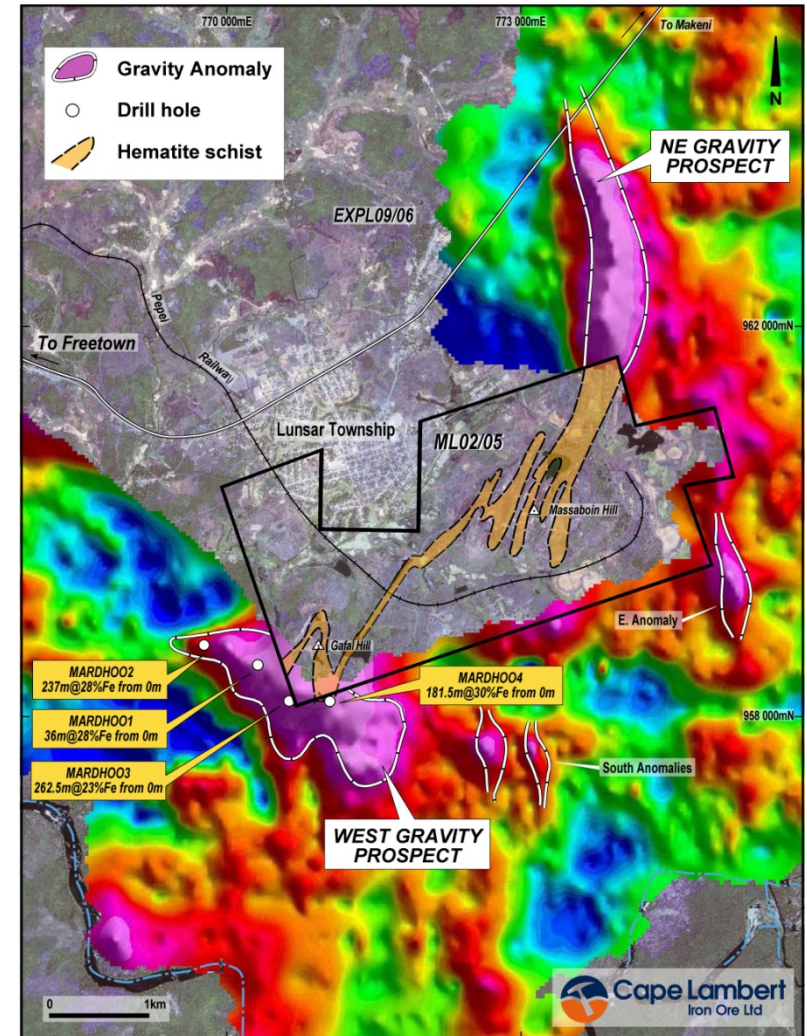


Commercial Terms

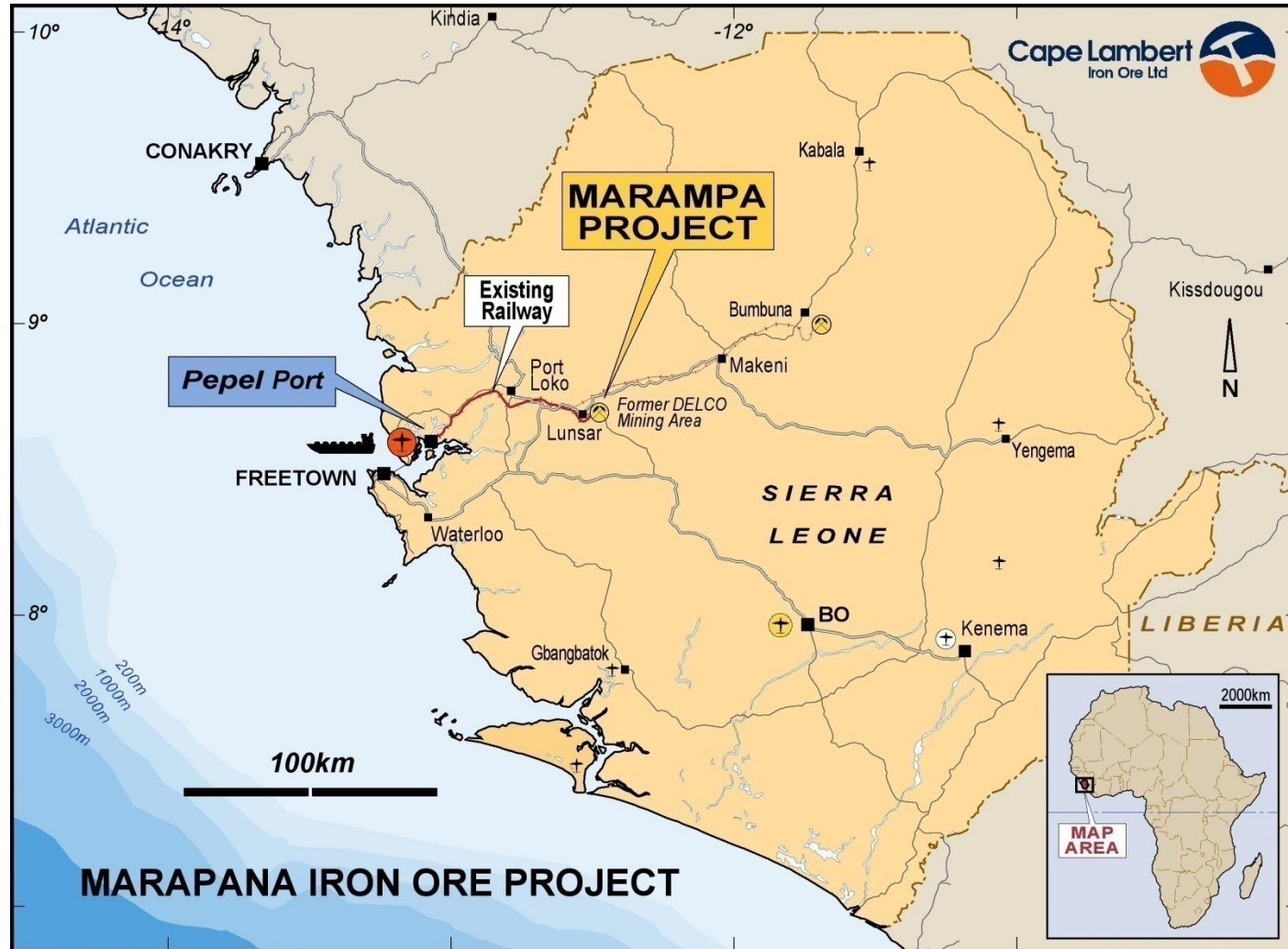
- ▶ Initial 30% investment,
 - ▶ Issue of 44 million CFE shares,
 - ▶ Commitment to fund the first US\$25 million toward a definitive feasibility study.
- ▶ Cape Lambert is the Manager,
- ▶ Able to withdraw at any time after initial expenditure of US\$5 million retaining pro-rata interest,
- ▶ Right to access rail and port infrastructure on African Mineral's being granted an operating lease,
- ▶ Full “claw back” during the first 12 months if the exploration licence boundaries change or the licence is cancelled, terminated etc,
- ▶ Exclusive 20 month option to acquire 100% interest for US\$200 million less value of CFE shares and expenditure to date.

Exploration Targets

- ▶ Geophysics has proved successful at identifying the covered hematite schist,
- ▶ Reconnaissance drilling of the gravity anomalies has confirmed the presence of broad, continuous zones of iron mineralisation,
 - ▶ MARDH002 - 237m at 28% Fe from surface,
 - ▶ MARDH004 – 180m at 30% Fe from surface.
- ▶ Drilling priorities are the West and NE gravity prospects,
- ▶ Regional potential extends to the northwest of the NE gravity prospect.



Near Infrastructure



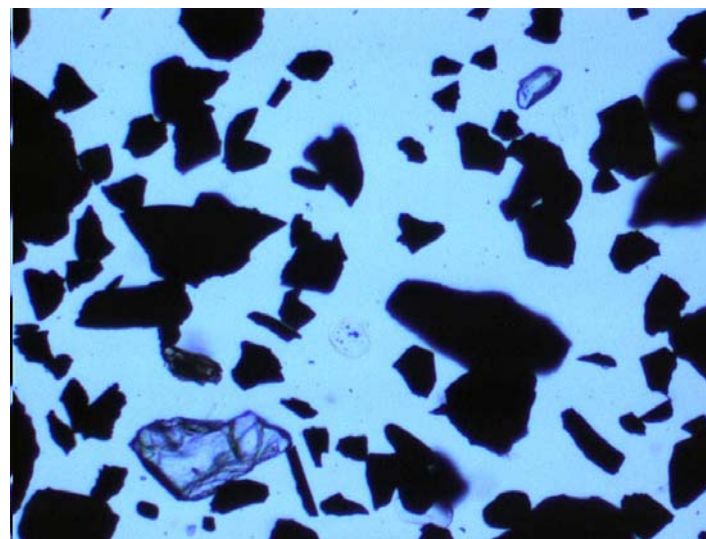
Quality Fines Product

- ▶ Preliminary metallurgical test program underway on hematite schists,
- ▶ Early results indicate a quality fines product at a coarse grind size,
- ▶ Hematite schist is relatively soft,
- ▶ Compared to magnetite, significantly less power required to produce a concentrate,
- ▶ Simple flow sheet comprising crushing, coarse grinding and gravity separation anticipated.

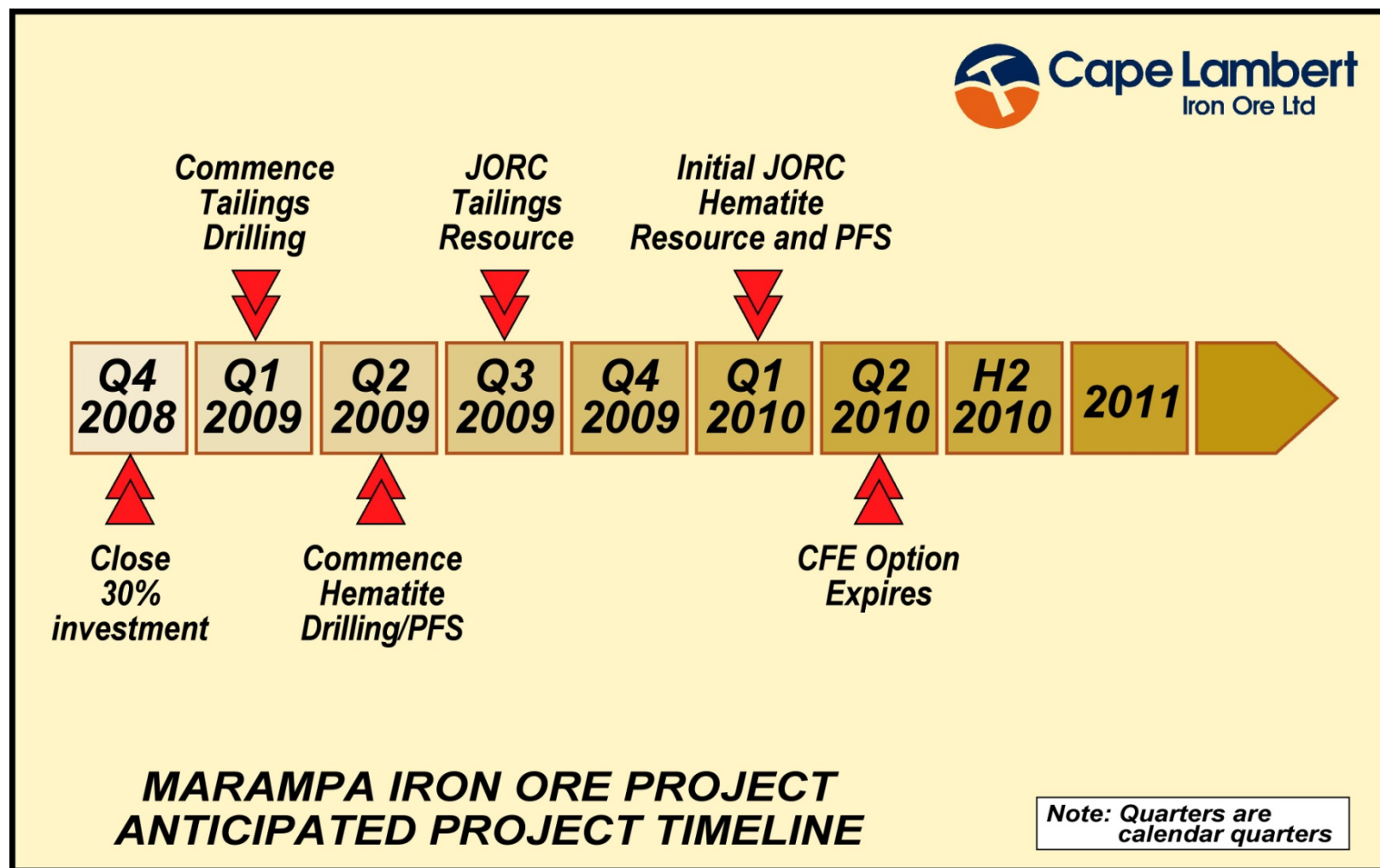
	Fe%	SiO ₂ %	Al ₂ O ₃ %	P %
Head Grade	28.1	44.7	5.25	0.23
Concentrate Grade	66.8	1.90	0.55	0.13

Notes:

- Bulk sample prepared by combining continuous, 50m mineralised intervals from diamond drill holes MPD002 (interval 150 to 200m), MPD003 (interval 50 to 150m) & MPD004 (interval 100 to 150m).
- Test work conducted at a feed grind size of 80% passing 125µm on a laboratory scale Wilfley table.
- Mass yield was 30% with a Fe recovery of 70%.



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Summary

- ▶ Recent track record of delivering shareholder value,
- ▶ Payment of A\$100 million return of capital and unfranked dividend scheduled for 31 October 2008,
- ▶ In the near term drilling to commence at the Company's two iron ore projects,
- ▶ Fully funded,
- ▶ Continuing to evaluate other investment opportunities in iron ore and related steel making assets,
- ▶ Well positioned to take advantage of current market conditions.

Competent Persons Attribute



The Metallurgical information in this report is based on information compiled by GV Ariti who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Ariti has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Ariti consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

The Exploration information in this report is based on information compiled by K Bischoff who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Bischoff has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves”. Mr. Bischoff consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.