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**Update in relation to Lady Annie Initial Public Offering  
– Shareholder Approval**

**Key Points:**

- **Company seeking listing on ASX, Q Copper Australia Limited, an Australian incorporated entity**
- **Disposal of the Lady Annie Project assets to Q Copper Australia Limited to occur by way of the sale of Cape Lambert Lady Annie Exploration Pty Ltd (the holder of the Lady Annie Project assets)**

As announced on 26 August 2009, Australian resources company, Cape Lambert Iron Ore Limited (**ASX: CFE**) ("Cape Lambert" or the "Company") plans to divest its interest in the Lady Annie Project in Northern Queensland ("Lady Annie Project") via an Initial Public Offering ("IPO").

As detailed in the Company's Notice of Annual General Meeting announced on 16 October 2009 ("Notice") at its Annual General Meeting to be held on 16 November 2009 ("AGM"), the Company is seeking Shareholder approval, in accordance with ASX Listing Rule 11.4 to dispose of the Lady Annie Project to a child entity ("Disposal").

The Company wishes to advise Shareholders that since the dispatch of the Notice, while the net effect and subject matter (being the Lady Annie Project) of the Disposal has not altered, the structure of the transaction by which the Disposal will occur has changed.

The Company will now dispose of its interest in the Lady Annie Project through the sale of 100% of its wholly owned subsidiary Cape Lambert Lady Annie Exploration Pty Ltd ("CLLAE") being the holder of the Lady Annie Project to Q Copper Australia Limited ("Q Copper") (a company incorporated in Australia) by way of a share sale agreement ("Agreement") rather than an asset sale as disclosed in the Notice.

While Q Copper is currently a wholly owned subsidiary of Cape Lambert, prior to the AGM and lodgment of the prospectus in relation to the IPO, shares in Q Copper will be issued to the directors of that entity ("Q Copper Directors") as part of the Q Copper Directors' remuneration package with Q Copper such that the Q Copper Directors will collectively hold no more than 10% of the issued capital of Q Copper with the remaining 90% to be held by Cape Lambert. Following completion of the IPO and the Disposal, the

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

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interest of the Q Copper Directors will be diluted such that collectively they will hold less than 0.02% of the expanded capital of Q Copper and Cape Lambert's interest may ultimately be between 5% and 10% (being the same amount as was contemplated under the asset sale and as detailed in the Notice). If the IPO does not proceed on or before 1 April 2010, the Q Copper shares held by the Q Copper Directors will be bought back by Cape Lambert such that Cape Lambert will hold 100% of Q Copper.

The material terms and conditions of the Agreement are as follows:

- (a) **(Conditions precedent):** Settlement of the Agreement (Settlement) is subject to satisfaction or waiver of certain conditions precedent (together, the **Conditions**), including:
- (i) Q Copper completing a financial and legal due diligence on CLLAE;
  - (ii) Cape Lambert providing Q Copper with evidence that all of the assets of CLLAE (other than the assets which comprise the Lady Annie Project) have been transferred out of CLLAE;
  - (iii) CLLAE and/or Q Copper obtaining all necessary governmental consents, shareholder and third party approvals, and authorisations required to transfer CLLAE to Q Copper; and
  - (iv) Q Copper raising the minimum subscription under the IPO and obtaining conditional approval to list on ASX subject to conditions acceptable to Cape Lambert and Q Copper.
- (b) **(Consideration):** The consideration payable to Cape Lambert by Q Copper for the purchase of 100% of CLLAE shall be in the order of \$169,000,000, to be satisfied by a combination of the payment of cash ("Cash Consideration") and issue of Shares ("Share Consideration"). The amount of the Share Consideration to be issued to Cape Lambert is dependent on the amount raised under the IPO. As an indicative range, if the amount raised under the IPO is:
- (i) \$203,000,000 (being the minimum subscription), Cape Lambert will be issued 22,000,000 Q Copper shares representing approximately 10% of Q Copper's issued capital at completion of the IPO and settlement of the Agreement; and
  - (ii) \$214,000,000 (being the full subscription), Cape Lambert will be issued 11,000,000 Q Copper shares representing approximately 5% of Q Copper's issued capital at completion of the IPO and settlement of the Agreement.

If between \$203,000,000 and \$214,000,000 is raised pursuant to IPO, the number of Q Copper shares to be issued to Cape Lambert would be adjusted on a pro rata basis. However, the ultimate amount of the Cash Consideration and the Share Consideration will be subject to the final terms of the Agreement (when executed), and the price and structure of the IPO (which will be determined when the IPO prospectus is approved and lodged).

- (c) **(Settlement):** Settlement of the Agreement will take place 5 business days after the last of the Conditions is satisfied or waived by the parties ("Settlement Date").
- (d) **(Cash Target):** Prior to the Settlement Date, cash will be withdrawn from CLLAE such that, as at the Settlement Date the cash position of CLLAE shall equal an amount representing the trade and other creditors of CLLAE as at the Settlement Date net of amounts owing to CLLAE by trade and other debtors as at the Settlement Date.
- (e) **(Excluded Assets):** The right to mine phosphate on the tenements which comprise the Lady Annie Project ("Tenements") (other than some excluded tenements) and all other assets of CLLAE other than the Lady Annie Project, shall be assigned from CLLAE to another entity prior to the Settlement Date ("Excluded Assets").
- (f) **(Excluded Liabilities):** Following the Settlement Date, Cape Lambert will retain the liabilities and obligations in relation of any amounts owing to the Office of State Revenue or CopperCo in relation to CLLAE's acquisition of all of the assets acquired by CLLAE (including the Lady Annie Project) pursuant to the CopperCo Asset Sale Agreement.
- (g) **(Environmental and Other Bonds and Bank Guarantees):** All of the environmental bonds and other bonds in respect of the Tenements ("Bonds") will remain in the name of Cape Lambert for a period of up to 18 months following the Settlement Date after which time they must be replaced by Q Copper. At the time of replacement of the Bonds, Q Copper must also transfer funds equal to funds provided by Cape Lambert as security for bank guarantees provided by CLLAE to service the Bonds.
- (h) **(Pre-emptive Right):** If Q Copper proposes to assign, sell or otherwise transfer all or any of the Tenements to a third party (other than to a related body corporate) and is in receipt of an offer, it must first offer Cape Lambert the right to acquire that Tenement(s) upon the same terms and conditions as being offered to the said third party.
- (i) **(Warranties):** Cape Lambert provides warranties to Q Copper which are standard in agreements of this nature relating to CLLAE and the Lady Annie Project.
- (j) **(Indemnity):** Cape Lambert has agreed to indemnify Q Copper and CLLAE against, and must pay Q Copper an amount equal to, any loss suffered or incurred by Q Copper or CLLAE in connection with a breach of any of the warranties.

In summary, the key changes in relation to the Disposal are detailed below:

	<b>Details disclosed in Notice in relation to the Disposal</b>	<b>Revised details in relation to the Disposal</b>
<b>Entity to seek listing on ASX through the IPO</b>	Q Copper Limited	Q Copper Australia Limited
<b>Place of Incorporation of entity seeking listing on ASX</b>	British Virgin Islands	Australia
<b>Nature of Disposal</b>	Asset sale	Share sale
<b>Percentage of capital of entity seeking listing on ASX held by directors of the entity prior to IPO</b>	Nil	10%
<b>Total Value of Consideration payable to Cape Lambert in relation to the Disposal</b>	In the order of \$177,000,000	In the order of \$169,000,000

It is proposed the prospectus in relation to the IPO will be lodged in the coming days and as detailed above, while the structure of the transaction by which the Disposal will occur has changed, the net effect and subject matter (being the Lady Annie Project) of the Disposal is materially as previously disclosed and detailed in the Notice.

Yours faithfully  
Cape Lambert Iron Ore Limited

Tony Sage  
**Executive Chairman**

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