

30 April 2009

The Company Announcements Office
ASX Limited

Via E Lodgement

**QUARTERLY OPERATIONS REPORT AND APPENDIX 5B FOR PERIOD ENDING 31
MARCH 2009.**

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Tony Sage
Executive Chairman

HIGHLIGHTS FOR THE QUARTER

Corporate

- The Company acquired the secured debt owed by ASX listed CopperCo Limited and its subsidiaries from Macquarie Bank Limited and LinQ Capital Limited as Responsible Entity for the LinQ Resources Fund for a total cash payment of approximately AUD\$72.7 million (of which approximately AUD\$15.0 million is deferred until late July 2009),
- Admission of the Company's ordinary shares to the AIM Market of the London Stock Exchange was cancelled following Shareholder approval,
- As at 31 March 2009, the Company had cash reserves of approximately AUD\$127 million,
- A secured convertible note with a 12% coupon rate and face value of AUD\$2.24 million was provided to unlisted, public company Latin Resources Pty Ltd. Latin Resources holds a number of iron ore concessions in Peru and funds provided via the convertible note will be used to explore these concessions,
- Cape Lambert is continuing to work closely with China Metallurgical Group Corporation (purchaser in 2008 of the Company's namesake Pilbara magnetite project), providing assistance and guidance in respect to permitting and mining approvals to enable receipt of the final cash payment of AUD\$80 million in the shortest possible timeframe.

Cape Lambert South Project (100% interest, Pilbara, Western Australia)

- Positive Davis Tube Recovery ("DTR") results received from the initial drilling program at Cape Lambert South show that magnetite mineralisation is capable of being concentrated to a product suitable for the manufacture of blast furnace feed pellets (+65% Fe and ≤5% (silica + alumina));
- Significant DTR intercepts include;
 - 64m (from 39m) at an average DTR recovery of 27.7% mass to concentrate with a concentrate grade of 69.6% Fe and 2.5% silica from reverse circulation ("RC") drill hole SRC04; and
 - 52m (from 106m) at an average DTR recovery of 22.2% mass to concentrate with a concentrate grade of 68.3% Fe and 3.6% silica from RC drill hole SRC14.

Marampa Iron Ore Project (35% interest and Manager, Sierra Leone, West Africa)

- Interest in the Marampa Project increased to 35%,
 - Air core drilling of historical tailings dumps located at the Marampa Project commenced during the quarter. Results from the air core program will enable the preparation of a JORC compliant mineral resource estimate for the tailings, which is scheduled to be completed in the September 2009 quarter,
 - Metallurgical test results received for a bulk, composite sample of historical hematite tailings located at the Marampa Project. The hematite concentrate produced from the tailings graded 65% Fe and 3.9% silica for a mass and Fe recovery of 46% and 91.6% respectively.
-

Company Overview

Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX: CFE) is an Australian domiciled, cashed-up resources and investment company, with interests in a number of resource projects and companies.

The Company manages two early definition iron assets located in the Pilbara region of Western Australia and Sierra Leone, West Africa (Figure 1). Through the provision of convertible notes it has exposure to iron ore assets in Africa and Peru, coal in South Africa and uranium in Australia.

The Company's objective is to use its cash reserves to invest in a portfolio of early definition resource assets, principally iron ore and related steel making assets and to add value to those assets to position them for either development and/or sale.

Acquisition of CopperCo Debt

During the quarter, the Company acquired the secured debt owed by ASX listed CopperCo Limited ("CopperCo") and its subsidiaries from Macquarie Bank Limited ("Macquarie") and LinQ Capital Limited as Responsible Entity for the LinQ Resources Fund (hereafter "Secured Parties").

The directors of CopperCo and other members of the CopperCo corporate group appointed joint and several administrators on 26 November 2008. On the following day, Macquarie appointed joint and several receivers and managers. Following the acquisition of the secured debt by Cape Lambert, the Macquarie receivers and managers were replaced by its own receivers and managers.

Under the transaction, Cape Lambert acquired CopperCo's outstanding secured debt to the Secured Parties for a total cash payment of approximately AUD\$72.7 million (of which approximately AUD\$15.0 million is deferred until late July 2009).

In addition, Cape Lambert provided bank guarantees in place of existing performance bonds and receivers unpaid liabilities to an approximate aggregate of AUD\$33.8 million.

The Board of Cape Lambert believes that the CopperCo group holds an attractive portfolio of undervalued assets and that this transaction provides an exposure to these assets in a relatively low-risk manner, whilst receiving above market returns on funds invested.

Cancellation of AIM Listing

During the quarter and following Shareholder approval on 27 February 2009, admission of the Company's ordinary shares to the AIM Market of the London Stock Exchange was cancelled.

The Company listed on AIM on 4 May 2006 because the Directors considered at that time that the AIM market would offer additional liquidity for Shareholders and that the listing would assist the Company in its funding requirements for the Cape Lambert Iron Ore project, which was subsequently sold in 2008.

Maintaining a listing on AIM involves considerable expense and compliance with applicable laws and regulations. The Directors did not consider that the initial benefits of listing the Company on AIM remained relevant and having regard for the significant costs and resources incurred in retaining the listing, sought and received approval from Shareholders to remove the Company's listing on AIM.

Project Sale – Final Cash Payment

During 2008, the Company sold its Pilbara namesake magnetite project to China Metallurgical Group Corporation ("MCC") and has received AUD\$320 million of the AUD\$400 million sale price. The final cash payment of AUD\$80 million is to be paid by MCC on the grant of a mining lease and related construction approvals in respect of the project.

The Company is continuing to work closely with MCC, providing assistance and guidance in respect to permitting and mining approvals to facilitate the grant of a mining lease and related construction approvals in the shortest possible time frame, thereby enabling receipt of the final AUD\$80 million cash payment.

Mezzanine Financings

During the quarter, and through its 100% owned subsidiary Dempsey Resources Pty Ltd ("Dempsey"), the Company provided AUD\$2.24 million via a secured convertible note to unlisted, public company Latin Resources Pty Ltd ("Latin Resources"). Latin Resources holds a portfolio of iron ore concessions in Peru, South America and the funds received from the convertible note will be used to advance exploration on these concessions.

Interest is payable quarterly in advance at a rate of 12% per annum and the term of the convertible note is 18 months.

Pursuant to the terms of the convertible note, Dempsey has the right before the repayment dates to convert the note into ordinary shares.

Cape Lambert is evaluating other convertible note opportunities that potentially enable it to convert to a controlling equity position in resource companies with assets the Company believes to be attractive.

Cape Lambert South Project (100% interest, Pilbara, Western Australia)

Cape Lambert South is the southern extension of China Metallurgical Group Corporation's 1.5 billion tonne magnetite iron ore resource, and is located on granted Exploration Licence E47/1493 in the coastal Pilbara region of Western Australia (Figure 2).

During the quarter, the Company received the results from the initial drilling program at Cape Lambert South, which was completed in the December 2008 quarter.

The objective of the initial drilling program (which comprised 14 RC holes for a total advance of 4,107m and a single diamond hole (375m)) was to test an identified 3km long magnetic anomaly for magnetite mineralisation, and if successful, to determine if the magnetite mineralisation could be concentrated into suitable feed stock for the steel making industry.

The drilling has identified two units of magnetite bearing banded iron formation ("BIF") over a strike length of approximately 1km, dipping steeply to the south, and located in the central portion of the magnetic anomaly. The BIF is open to the southwest (Figure 3).

Significant drill results are summarised in Table 1, and show that magnetite mineralisation at Cape Lambert South is capable of being concentrated to a product suitable for the manufacture of blast furnace feed pellets (+65% Fe and $\leq 5\%$ (SiO₂ + Al₂O₃)).

Based on the initial results, the Company is proposing to complete an infill drill program, which is expected to commence in the second half of 2009. Several step-out holes are also planned to test the extension to the southwest.

Core from diamond drill hole SDD1 (which is located within the magnetite bearing BIF) has been prepared for a metallurgical test program, which incorporates crushing, grinding, coarse

cobbing, laboratory scale magnetic separation and concentrate sulphur reduction. Furthermore, given the high iron, and low silica and alumina DTR concentrate grades, the metallurgical test program will also assess the suitability of the concentrate for Direct Reduction feed pellets, which receive a significant price premium to blast furnace feed pellets. Results from this program will be announced when they are available.

Marampa Iron Ore Project (35% interest and Manager, Sierra Leone, West Africa)

On 1 October 2008, the Company completed an agreement with AIM listed African Minerals Limited ("African Minerals") for a 30% investment in the Marampa iron ore project ("Marampa Project"), located in Sierra Leone, West Africa (Figure 4) (refer ASX release dated 1 October 2008 for the terms of the investment). During the quarter, the Company increased its investment in the Marampa Project to 35% (refer ASX release dated 22 January 2009).

The Marampa Project comprises;

- A 319km² granted exploration licence (EXPL09/06),
- An inventory of specular hematite tailings from former mining operations, and
- A brownfields exploration opportunity representing extensions of specular hematite mineralisation to the northeast and west of the former Marampa mining operations, and regional exploration targets.

The Company's near term work plan for the Marampa Project is to evaluate the development of a tailings retreatment operation, and to explore the extensions to the hematite mineralisation and regional targets.

The Marampa Project has reduced barriers to entry compared to a "greenfields" project through its connection by an 84km railway to an existing deep water port, stockpiling and ship loading facility located at Pepel ("Rail and Port Infrastructure") (Figure 4). Pursuant to its investment, the Company has a right of access to the Rail and Port Infrastructure, which is currently leased from the government of Sierra Leone by African Minerals.

Tailings

During the quarter, the Company collected a 370kg bulk tailings sample for metallurgical test work. This sample was despatched to independent, Australian metallurgical testing group, AMMTEC Limited, where a sighter test program was completed. The objective of the sighter test program was to assess a number of beneficiation options to enable the production of a hematite concentrate from the tailings at greater than or equal to 65% Fe for, blast furnace or direct reduction, pellet production.

The sighter metallurgical test regime, which comprised wet, high intensity magnetic separation for roughing and cleaning, and reverse flotation cleaning of the middlings fraction produced a high-grade concentrate suitable for the manufacture of blast furnace feed pellets and/or sinter (Table 2). Importantly, the high-grade concentrate was produced with a mass recovery of 46.2% and a high iron recovery of 91.6%. It is expected that further cleaning of the concentrate will enhance its quality, with a small reduction in mass and iron recovery, thereby enabling it to be utilised for direct reduction pellet production.

Table 2: Summary Metallurgical Test Results – Marampa Project Tailings

Item	Mass (%)	Fe Recovery (%)	Fe Grade (%)	SiO ₂ Grade (%)	Al ₂ O ₃ Grade (%)	P Grade (%)	S Grade (%)
Feed	100.0	100.0	32.8	45.3	4.2	0.021	0.007
Concentrate	46.2	91.6	65.0	3.9	1.5	0.019	0.001
Tail	53.8	8.4	5.1	81.4	6.2	0.025	0.006

Shallow, air core drilling of the hematite tailings commenced in late March 2009. The initial phase of the air core drilling is expected to be completed in early May with drill samples to be despatched to Australia for assay, density determination and follow-up, bench scale metallurgical test work. The Company is targeting completion of a JORC compliant tailings resource estimate for late in the September 2009 quarter.

Hardrock

During the quarter, detailed regional mapping over the entire area of the exploration licence was completed by SRK Consulting. The regional mapping confirmed and better defined the occurrence of extensions of folded specular hematite schist units to the west and north of the historic Marampa mine. Trenching and pitting of the mapped extensions to define structure and prioritise drill targets also commenced. Diamond drilling of the mapped units is expected to commence late in the June 2009 quarter.

Yours faithfully
Cape Lambert Iron Ore Limited

Tony Sage
Executive Chairman

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Table 1: Significant Davis Tube Recovery Results (Cape Lambert South Project)

Hole ID	LOCATION		COLLAR		SAMPLE			HEAD	DTR RESULT					
	Easting	Northing	Dip	Azimuth	from	to	interval	Fe	Mass Recovery	Fe	SiO ₂	Al ₂ O ₃	P	S
	(MGA94)	(MGA94)	Degrees		(m)	(m)	(m)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
SRC04	505088	7702671	-59.7	348.7	39	103	64	36.00	27.74	69.59	2.54	0.14	0.011	0.55
SRC12	504751	7702465	-50.2	327.2	68	115	47	29.00	22.50	61.65	1.59	0.13	0.005	0.51
					178	196	18	35.35	22.56	69.84	2.05	0.17	0.005	0.82
SRC14	505463	7702836	-59.3	348.4	106	158	52	33.49	22.16	68.30	3.63	0.32	0.008	0.84
SRC16	506183	7703194	-60.6	337.8	102	128	26	35.84	24.20	69.29	2.34	0.15	0.008	2.55

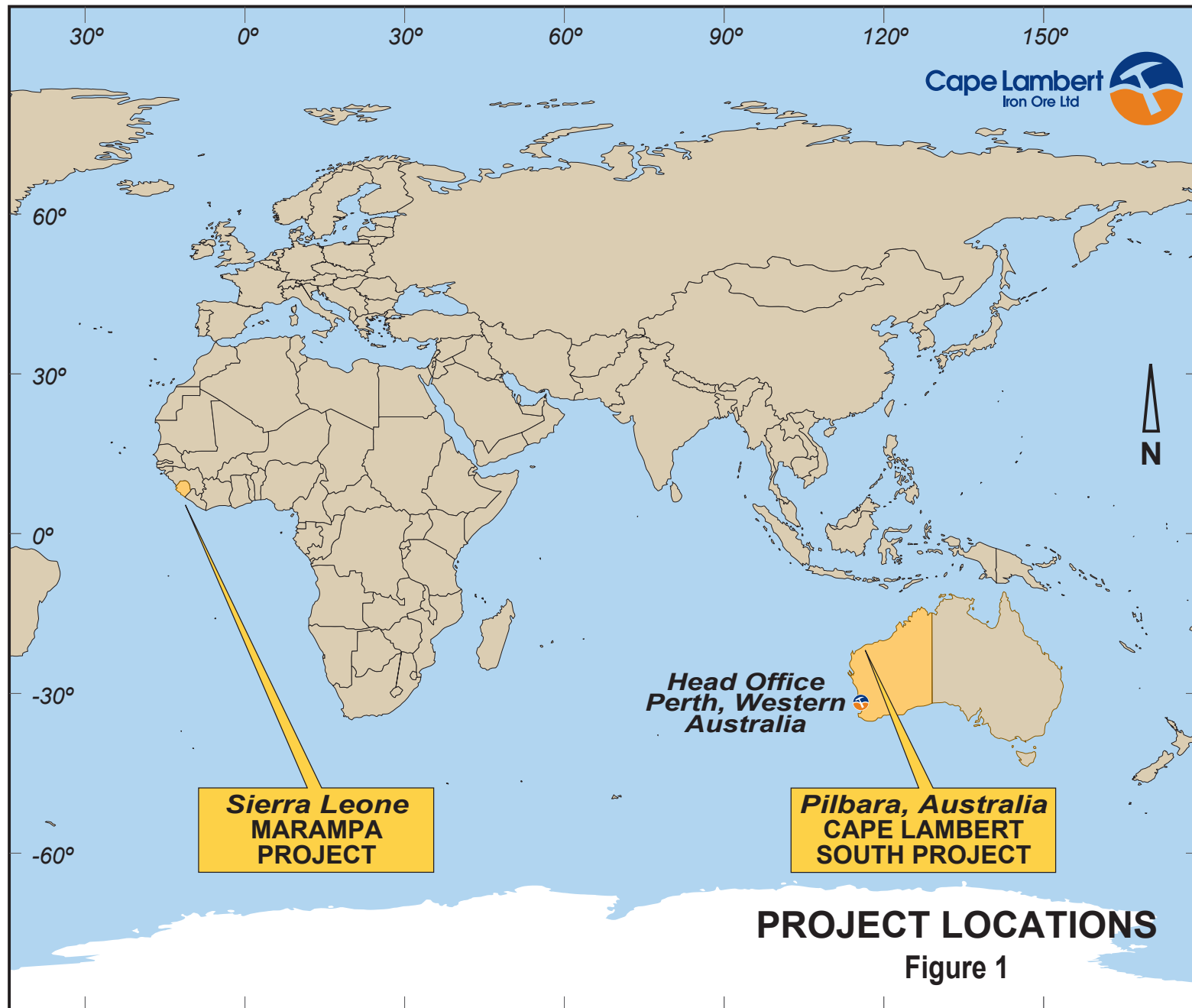
Notes:

- Sample intervals comprise 2-5m composites.
- Each composite is individually tested by DTR, with all composite results averaged for the interval.
- Sample interval is apparent, not true thickness.
- DTR head samples prepared to nominally 100% passing 45 micrometers.
- DTR testing performed by AMDEL Limited (Welshpool laboratory) with chemical analysis by X-ray Fluorescence Spectrometry (XRF).
- Minimum reported DTR interval is 12 metres at a 7% SiO₂ concentrate grade top-cut and a 20% mass recovery to concentrate bottom cut-off.

Competent Persons Attributes:

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.



Cape Lambert
Iron Ore Ltd



Indian
Ocean



DAMPIER



Karratha



CAPE LAMBERT

Wickham

Roebourne

Cape Preston

Gas Pipeline

West

FORMATION

North

CLEAVERVILLE

Coastal

Highway

Sino Iron Project
2 Billion Tonne Magnetite Project
(20% MCC)

Balmoral South
1 Billion Tonne Magnetite Project

Cape Lambert South
Magnetite Exploration Project

Mt Oscar
Magnetite Project

CAPE LAMBERT
SOUTH PROJECT

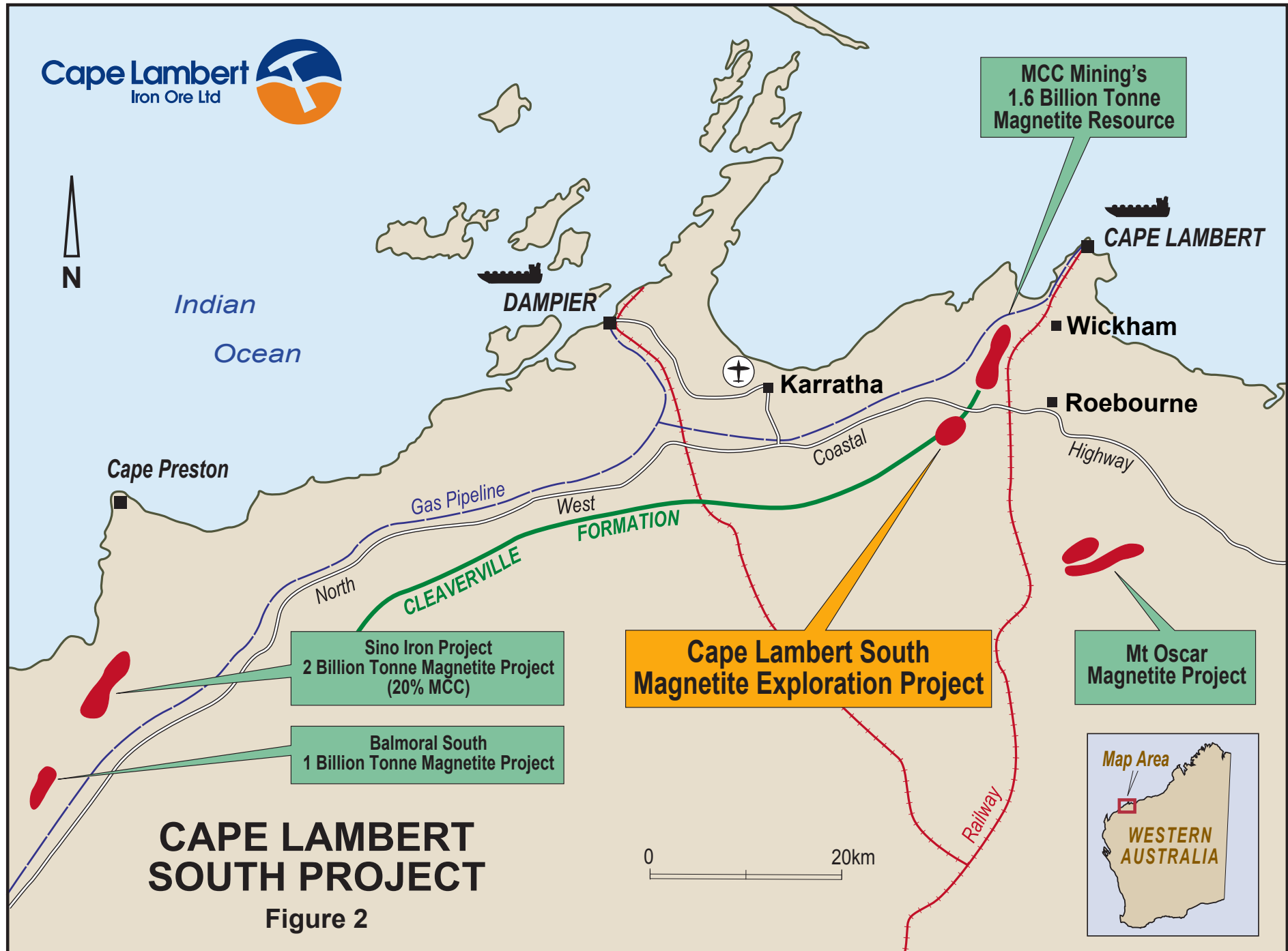
Figure 2

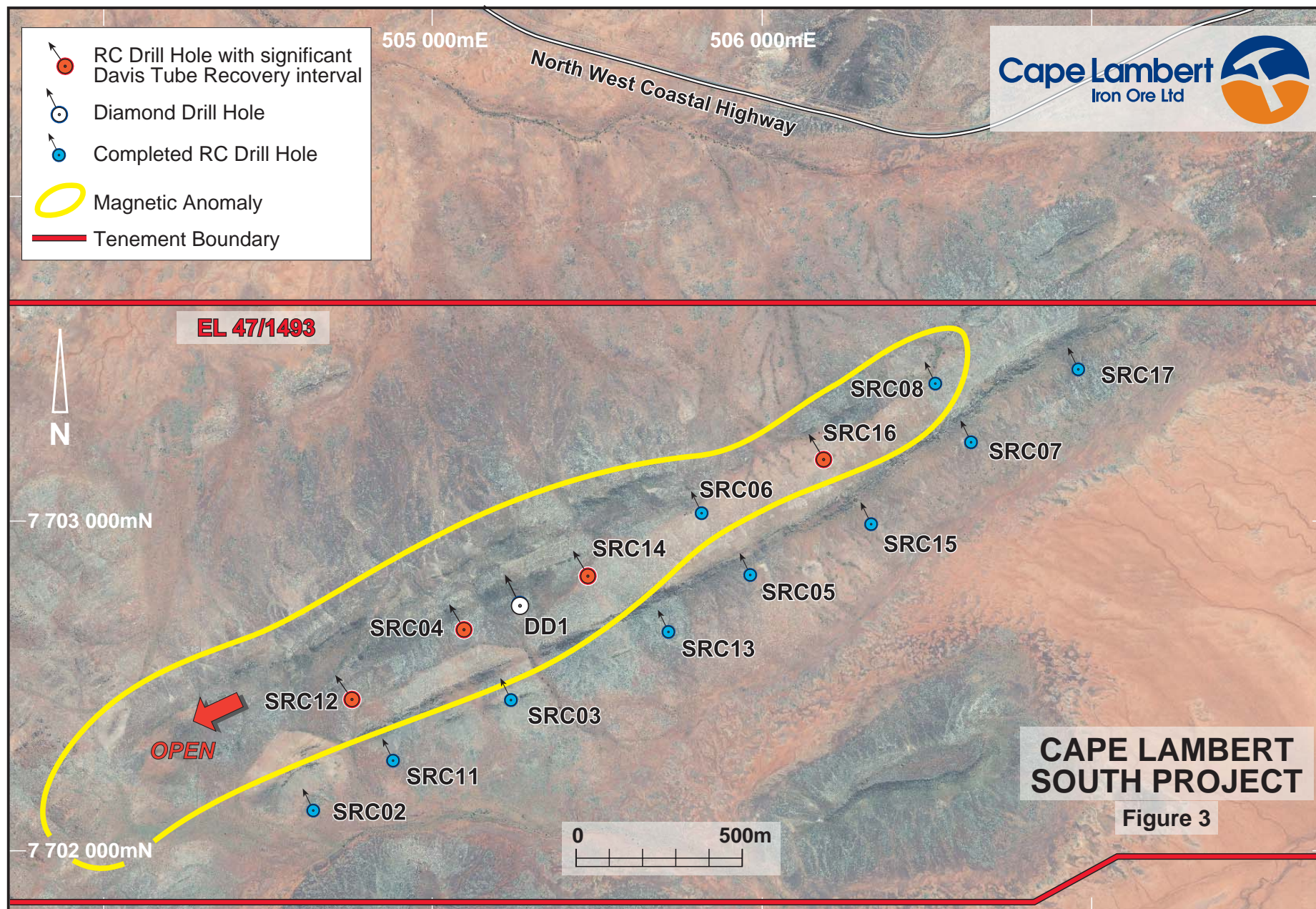
0 20km

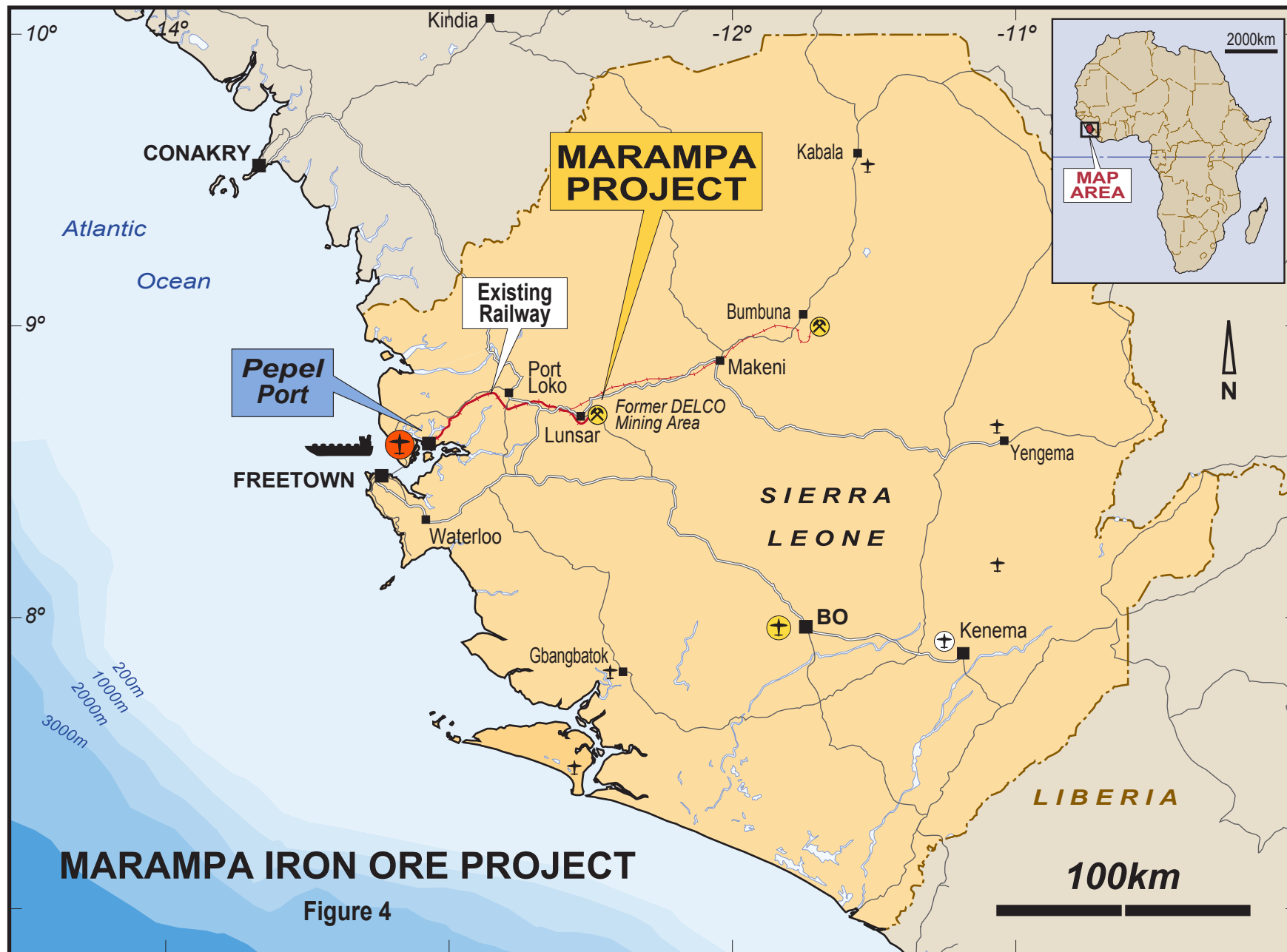
Railway

Map Area

WESTERN
AUSTRALIA







Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CAPE LAMBERT IRON ORE LTD

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2009

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(296)	(1,741)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(1,026)	(5,501)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	882	6,267
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other: other income received	-	26
Net Operating Cash Flows		(440)	(949)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	(5,666)	(7,614)
	(c) other fixed assets	(55)	(60)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	(79,717)	(94,858)
1.11	Loans repaid by other entities	-	-
1.12	Other : Payment for Convertible Notes	(2,240)	(10,040)
	Other: Purchase of interest in associated entity	-	(6,922)
	Other: Proceeds on sale of tenements	-	315,000
	Other: payment of commission	-	(30,400)
	Other: payments in relation to new projects		
Net investing cash flows		(87,678)	165,106
1.13	Total operating and investing cash flows (carried forward)	(88,118)	164,157

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(88,118)	164,157
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	41,358
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	(68,969)
1.19	Other - repayment of issue proceeds	-	-
	- capital return paid to shareholders	-	-
	- refund of withholding tax on dividend payments (to be repaid)	-	(31,349)
		4,762	4,762
	Net financing cash flows	4,762	(54,198)
	Net (decrease) in cash held	(83,356)	109,959
1.20	Cash at beginning of quarter/year to date	209,452	16,137
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	126,906	126,906

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	147
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

\$139,375 payment for executive and non-executive salaries;
\$7,481 payment for accounting fees to entity related to non-executive director.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

17,000,000 shares issued to acquire an additional 5% equity interest in Marampa Iron Ore Limited

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1
4.2 Development	-
Total	1

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,390	1,094
5.2 Deposits at call	120,706	208,358
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	126,096	209,452

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	523,797,213	523,797,213		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	17,000,000	17,000,000		
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	28,000,000 3,300,000 8,350,000	- - -	<i>Exercise price</i> 37.7 cents \$1.40 43.2 cents	<i>Expiry date</i> 31 October 2010 30 June 2009 30 June 2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Date:
(Director/Company secretary)

Print name:Timothy Turner.....

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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