

28 September 2006

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

RESULTS OF FIRST PHASE DRILLING AT CAPE LAMBERT PROJECT CONFIRM MINERALISATION

HIGHLIGHTS

- Up to 236m wide magnetite zone intersected at shallow depth in drill holes MA209 and MA210, which is outside the resource envelope. Step-out drilling of this new zone has commenced;
- Broad, mineralised intersections ranging from 56 to 129m at 34% Fe returned from the first 9 holes drilled. Assay results for other holes pending;
- 28 RC holes completed for 7,000m. A second drill rig due on site in two weeks;
- Twin holes confirm drilling results by previous explorer;
- Management team further strengthened by the appointment of Mr Dudley Kingsnorth.

Cape Lambert Iron Ore Ltd (ASX: CFE, AIM: CLIO) (the "Company") is pleased to update the market on activities related to its Cape Lambert Iron Ore project (the "Project") in the Pilbara region of Western Australia. The Project is located on Exploration License 47/1462, 30km to the east of the town of Karratha, 10km south of Cape Lambert, and 45km from the deep sea port of Dampier. The Project's proximity to regional infrastructure, including a natural gas pipeline, is excellent.

Drilling Activities

A reverse circulation ("RC") drilling program, the first by the Company at the Project, commenced in early July, and is being carried out by Drillcorp-Western Deephole. The primary objectives of the RC drilling program are to;

- infill and extend the Central Target Area ("CTA"), a 5km long by approximately 1km wide boomerang shaped zone delineated by >30% mass recovery to concentrate from Davis Tube test work carried out by the previous explorer Robe River Mining Co. Pty. Ltd. ("Robe River"); and
- validate the results of drilling, and work undertaken by Robe River.

As of 26 September 2006, the Company had completed 28 RC drill holes (MA183 to MA210) for a total advance of approximately 7,000 metres. All completed holes are vertical, and range in depth from 120 to 402m; 7 holes are in excess of 300m deep. The majority of holes have been collared in the sparsely drilled northern portion of the CTA.

All 28 holes have intersected magnetite-rich horizons and significant intersections and collar coordinates for the first nine (9) holes are set out in Table One. This table shows that broad intersections ranging from 56 to 129 metres at approximately 34% Fe have been returned. Assay results from subsequent drill holes will be reported as they become available and are interpreted.

Table One: Significant Intercepts for drill holes MA183 to MA191

Hole_ID	MGA_94		Intercept details			Fe %	SiO ₂ %	P %	Mineralised unit
	Easting	Northing	From (m)	To (m)	Interval (m)				
MA183*	509457.9	7707554.6	96	132	36	36.1	37.3	0.01	Lower
MA184	509421.0	7707619.9	56	144	88	35.6	37.4	0.03	Lower
MA185	509878.9	7707689.5	60	180	120	32.9	39.9	0.03	Upper
MA186	509706.8	7707901.3	88	160	72	33.8	39.2	0.02	Lower
MA187	509607.7	7707332.5	48	116	68	33.7	39.8	0.03	Upper
			136	265	129	31.9	38.9	0.03	Lower
MA188	509126.3	7707349.0	16	92	76	33.5	42.2	0.03	Lower
MA189	509761.2	7708547.6	88	144	56	33.9	40.0	0.03	Lower
MA190	509470.5	7709653.3	4	100	96	34.8	39.3	0.03	Lower
MA191	509397.9	7709756.6	16	80	64	31.6	40.6	0.03	Lower

* Hole abandoned in mineralisation due to caving.

- Notes:**
1. all holes vertical
 2. 4m composite samples
 3. minimum cut-off grade 30% Fe
 4. maximum internal waste 8m
 5. minimum intersection 20m

On three separate sections (12,000E, 12,400E, and 13,200E) within the CTA, three twin holes were designed and drilled to confirm Fe and other values previously reported by Robe River. The assay results from the twin holes (MA184, MA185 and MA187) have confirmed the values reported in the twinned holes.

The last two holes completed (MA209 and MA210) have intersected a shallow (from approximately 50 metres depth) magnetite-rich horizon of 189m and 236m wide respectively. These holes are 100m apart on section 13,200E, and this new, wide zone is thought to represent the down-dip merged extension of the Upper and Lower mineralised units. This new zone is outside the current resource envelope and represents a substantial extension of mineralisation. Step-out drilling of this zone is continuing.

In the current boom environment, assay laboratory throughput and capacity remains an issue. The Company has submitted 4m composites of mineralised zones for Davis Tube recovery test work ("DTR") to determine, amongst other things, weight recovery to concentrate, concentrate Fe, SiO₂ and P levels. Whilst turnaround times have been slow, DTR results are beginning to be received, and the Company will provide a review of DTR results as part of its September quarterly report. To improve DTR throughput and turnaround, the Company is working closely with Perth based Independent Metallurgical Laboratories Pty Ltd to establish a DTR testing facility.

Management Team Appointment

The Company has further strengthened its management team with the appointment of Mr Dudley Kingsnorth. Mr Kingsnorth will oversee Native Title and Environment functions and provide technical supervision for the feasibility assessment of the Project.

Mr Kingsnorth has over 30 years experience in the international mining industry through positions that he has held in operations, project development, marketing, technical consultancies and business development. The companies for whom he has worked include, Rio Tinto, BHP Billiton, Alcoa, Sons of Gwalia and Bechtel.

Dudley is recognised for his conceptual and strategic capabilities in the early development of resource companies. He was the founding CEO of Crescent Gold Ltd and the Materials Institute of Western Australia and also served as the founding non-executive chairman of Essa Australia Ltd, as a non executive director of Helix Resources NL and Acclaim Uranium NL.

Dudley has an Honours Degree in Metallurgy and a Masters Degree in Industrial Metallurgy and Management Techniques. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) and a Fellow of the Institute of Materials, Metallurgy and Mining (UK).

Yours faithfully
CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

The technical information in this report is based on information compiled by Frans Voermans who is a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy. Mr Voermans 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 Voermans consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

For more information please contact:

Cape Lambert Iron Ore Ltd

Tony Sage	+61 8 9380 9555
Ian Burston	+61 0 413 998 784

Australian Enquiries:

Professional Public Relations	
David Tasker	+61 8 9388 0944

UK Enquiries:

Collins Stewart

Miikka Haromo	+44 (0)20 7523 8000
---------------	---------------------

Conduit PR

Leesa Peters	+44 (0)20 7429 6603
	+44 (0)7974 982 512

Website:

www.capelam.com.au