

27 April 2007

The Company Announcements Office  
Australian Stock Exchange Limited

**Via E Lodgement**

**QUARTERLY REPORT FOR PERIOD ENDING 31 MARCH 2007 AND  
APPENDIX 5B**

Please find attached the Company's Quarterly Report for the quarter ended 31 March 2007 together with the Appendix 5B.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

**Tony Sage**  
Executive Director

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## REPORT FOR THE QUARTER ENDING 31 MARCH 2007

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### COMPANY HIGHLIGHTS

#### CAPE LAMBERT IRON ORE PROJECT

Reverse Circulation drill rig at Cape Lambert, with drilling expected to commence by month end. First order drill priorities include testing extensions of magnetite mineralisation to the north and southeast of the Central Target Area;

In addition, a 10,000m diamond core drilling program is scheduled to commence in June 2007;

Resource update underway and expected to be completed by the end of July 2007;

Metplant Engineering Services Pty Ltd in conjunction with Connell Wagner Pty Ltd and Coffey Mining appointed to prepare a preliminary engineering study;

#### CHINESE INVESTOR TO ACQUIRE 70% STAKE IN CAPE LAMBERT IRON ORE PROJECT FOR US\$192.5 MILLION (APPROX AUD\$250 MILLION) AND TO TAKE SIGNIFICANT EQUITY STAKE IN THE COMPANY

As announced to the ASX on 27 March 2007, the Company signed a binding agreement for the sale of 70% of the Cape Lambert Iron Ore Project for US\$192.5 million (approx AUD\$250 million cash).

The Company's following announcement advised that Mr Ding Liguo, has entered into a contract to acquire 40 million Cape Lambert Options from a third party.

#### METPLANT ENGINEERING

Metplant Engineering Services Pty Ltd in conjunction with Connell Wagner Pty Ltd and Coffey Mining appointed to prepare a preliminary engineering study;

#### PORT SITE SELECTION

Port options study completed and being reviewed by management.

#### CORPORATE

On 6 March 2007, the Company announced that it has signed a letter agreement with Portman Iron Ore Limited ("Portman"), which will enable Portman to explore for, and develop iron ore resources on 5 tenements located in the Evanston region, near Portman's Koolyanobbing operations.

## QUARTERLY REPORT FOR THE PERIOD ENDING 31 MARCH 2007

### CAPE LAMBERT IRON ORE PROJECT (THE "PROJECT")

Work continued during the quarter toward the preparation of a bankable feasibility study, and project environmental approvals.

The Company's objective is to define sufficient ore reserves to produce 10–15 million tonne per annum of magnetite concentrate over a 20 year mine life.

#### Reverse Circulation Drilling ("RC") and Diamond Drilling

RC resource definition drilling at the Project commenced in July 2006 within the Central Target Area ("CTA").

The CTA is a 6km long by 2km wide zone that has been defined from earlier drilling completed by Robe River Mining Co Pty Ltd ("Robe"). Within this zone historical metallurgical testwork recoveries of magnetite mineralisation have been the highest. During 2006, the Company completed 69 RC drill holes largely within the CTA for a total advance of 18,052 metres. The 2006 RC drilling program was completed in mid-December 2006.

The CTA remains open to the north and the east.

An RC drill rig has mobilised to Cape Lambert with drilling expected to commence prior to month end. The proposed advance for the 2007 infill and extension RC drilling program is 33,000 metres, which will require a second RC rig with effect from July 2007. The Company has notified the drilling contractor of the requirement for the second RC rig, and a tentative commitment to a second RC rig has been received from the contractor.

The first 18 RC holes of the 2007 drilling program are planned to test the northern extension of the CTA, the northeastern extension of section 13,200E and infill to the north of the northeast extent of section 13,200E (refer Figure 1).

In addition, a 10,000m diamond core drilling program is scheduled to commence in June 2007. Core from the diamond program will be used for metallurgical testwork, geotechnical and geochemical analysis to enhance the Company's understanding of the structural geology.

#### Davis Tube Recovery ("DTR") Testwork

From the 18,052 metres of RC drilling completed in 2006, a total of 1,709 four metre composite samples were selected for DTR testwork, representing one DTR sample per 10.5 metres drilled.

At the end of the quarter, DTR results had been received for 1,597 samples, 93.4% of samples submitted. There are 112 DTR results outstanding for drill holes MA233, MA234, MA264 and MA266. There has been an unprecedented delay in receiving the remaining 112 DTR results, but the Company has been advised that they will be available early May 2007.

Significant DTR results from the 2006 drilling program identified a new, thick zone of magnetite mineralisation at the southeastern extent of section 13,200E (refer Figures 1 and 2, and ASX releases dated 12 December and 19 December 2006). This new zone has been confirmed to extend 500m along strike to the north (refer ASX release 14 March 2007) and is open to the south and east.

### **Resource Update**

During the quarter, the Company completed the consolidation of the historical Robe drilling data and the 2006 drilling data into a single database.

Work commenced on updating the resource model for mineralisation within the CTA. At the end of the quarter, the updated resource model was approximately 60% complete with sections produced, geological interpretation finalised and a wireframe model developed.

The updated resource model is scheduled to be completed by the end of July.

### **Chinese Investor to acquire 70% of Cape Lambert Iron Ore Project for US\$192.5 million (approx AUD\$250 million cash) and to take significant equity stake in the Company**

As announced to ASX on 27 March 2007, the Company has signed a binding agreement for the sale of 70% of the Cape Lambert Project, for AUD\$250m.

Under the terms of the binding agreement, the purchaser has paid Cape Lambert a AUD \$2m deposit of which AUD \$750,000 is non-refundable.

The agreement is conditional on Cape Lambert providing the purchasers with an independent geological report confirming an indicated JORC compliant resource of 300 million tonnes.

The agreement is also subject to the company obtaining all necessary shareholder and regulatory approvals.

If was further announced to the ASX on 30 March 2007, the Company has been advised by Mr Ding Liguu that he has entered into a contract to acquire 40 million Cape Lambert Options from a third party.

The Options to be acquired are due to expire on 31 October 2010, with an exercise price of AUD 37.7 cents, however Mr Ding has formally indicated to the company that he intends to convert the Options to ordinary shares in the near future (this would generate \$15.08 million for the Company). On conversion of the Options Mr Ding will hold approximately 13.7 per cent of the issued capital in Cape Lambert and will become one of the company's top five shareholders.

CFE is pleased to advise it has commenced initial compliance with regard to the 300 million tonne indicated resource by the appointment of RSG Global as the independent geologists. CFE anticipates completion of verification by the 1 week of June 2007.

## **Metallurgical Flowsheet Development**

As previously advised, the Company has retained Met-Chem Canada Inc to provide metallurgical and design services.

During the quarter, Met-Chem completed its review of historical metallurgical testwork, available DTR results from the 2006 RC drilling program and mineralogical data. The review has enabled Met-Chem to develop preliminary process flowsheet.

During 2007 a metallurgical testwork program on core from diamond drilling will commence, with the objective of demonstrating the suitability of the flowsheet.

## **Engineering and Infrastructure Study**

Late in the quarter, the Company appointed Metplant Engineering in concert with Connell Wagner and Coffey Mining, to prepare preliminary engineering designs and layouts and capital and operating cost estimates for the concentrator and associated infrastructure ("Engineering Study"). Metplant will utilise the process flowsheet developed by Met-Chem in completing the Engineering Study.

The Engineering Study is scheduled to take 17 weeks and is expected to be completed by the end of August.

## **Port Options Study**

URS Australia Pty Ltd ("URS") completed the Port Options Study late in the quarter. URS has developed concept plans and cost estimates for several sites and different port designs. In total seven concepts have been considered. Two preferred sites have been highlighted based on a series of selection criteria.

Management is currently reviewing the Port Options Study to enable a preferred option to be included in the Engineering Study, and further developed during 2007.

## **Environmental Approvals**

URS also completed and published the Environmental Scoping document during the quarter. The Environmental Scoping document sets out the environmental issues that must be assessed and addressed as part of gaining Project environmental approvals.

Following extensive rainfall at the Project site after cyclones George and Jacob, the first terrestrial baseline environmental survey is scheduled to be undertaken in May 2007.

## **Option to Acquire Adjacent Tenements**

On 11 January 2007, the Company entered into an exclusive option agreement to acquire three tenements, which are contiguous with and immediately to the east of, the Cape Lambert magnetite iron ore project tenement (E47/1462). The tenements E47/1271, E47/1233 and E47/1248 ("Option Tenements") are strategically important for the following reasons;

- The known magnetite mineralisation is dipping to the east and may extend into the tenements;
- The tenements (if the option is exercised) increase the Company's landholding from approximately 210km<sup>2</sup> to 360km<sup>2</sup>; and
- The tenements provide more flexibility in terms of locating infrastructure that is required to support the Project.

On 16 April 2007, the Company notified the market that documentation of the option agreement was complete and the vendor, Mr Kim North, had been paid the option premium.

The Company has until 31 October 2007 to evaluate the prospectivity of the Option Tenements and exercise the Option.

### **First Half Work Program**

Work during the balance of the first half of 2007 will focus on;

- Recommencing infill and extension RC drilling and a commencing a 10,000 metre diamond program;
- updating the resource model and preliminary open pit mining studies;
- first pass design of the process flowsheet and commencing a metallurgical testwork program on diamond core to demonstrate the suitability of the flowsheet;
- finalising the Port options study, further developing the preferred option(s) and preliminary capital and operating cost estimates;
- commencing engineering studies and developing first pass project capital and operating cost estimates; and
- commencing baseline environmental surveys.

## **EVANSTON AGREEMENT – PORTMAN IRON ORE**

On 6 March 2007, the Company announced that it has signed a letter agreement with Portman Iron Ore Limited ("Portman"), which will enable Portman to explore for, and develop iron ore resources on 5 tenements located in the Evanston region, near Portman's Koolyanobbing operations.

Cape Lambert holds the iron ore rights on these tenements.

It is expected that any iron ore resource(s) that are delineated would become a satellite mining operation to the Koolyanobbing operations.

The agreement requires Portman;

- to spend a total of \$1m on exploration within 3 years to earn 100% of the iron ore rights, with a minimum of \$300,000 to be spent in the first 12 months; and
- to pay Cape Lambert a royalty of 1.5% of average per tonne value for iron ore products removed from the tenements.

Portman commenced desktop work late in the quarter as a precursor to ground evaluation in respect of the 5 tenements.

**Tony Sage**  
Executive Director

About Cape Lambert

*The Cape Lambert iron ore project is located on Exploration Licence 47/1462. The license has an area of 223 square kilometres and is located in the northern, coastal Pilbara region of Western Australia between the towns of Karratha, Roebourne and Wickham. The property is crossed by the North West Coastal Highway, two (2) gas pipelines, power transmission lines, a railway and is approximately 10km from the coast.*

**Website:**  
**[www.capelam.com.au](http://www.capelam.com.au)**

**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:**

<b>Collins Stewart</b>	
Miikka Haromo	+44 (0)20 7523 8000

**Conduit PR**

Leesa Peters	+44 (0)20 7429 6600
	+44 (0)781 215 9885

# 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
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ABN

71 095 047 920
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Quarter ended ("current quarter")

31 March 2007
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(944)	(4,120)
(b) development		
(c) production		
(d) administration	(785)	(2,357)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	132	501
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other		313
<b>Net Operating Cash Flows</b>	<b>(1,597)</b>	<b>(5,663)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects		
(b) equity investments		(202)
(c) other fixed assets	(28)	(115)
1.9 Proceeds from sale of:		
(a) prospects		
(b) equity investments		173
(c) other fixed assets		
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – refund of asset purchase		
1 <b>Net investing cash flows</b>	<b>(28)</b>	<b>(144)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,625)</b>	<b>(5,807)</b>

+ See chapter 19 for defined terms.



**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,625)	(5,807)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.		
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other - repayment of issue proceeds - costs of share issues		
	<b>Net financing cash flows</b>		
	<b>Net (decrease) in cash held</b>	(1,625)	(5,807)
1.20	Cash at beginning of quarter/year to date	8,528	12,710
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	6,903	6,903

**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	158
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

Executive and non executive directors salaries

**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

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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

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**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	-	-

+ See chapter 19 for defined terms.

**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	
4.2	Development	
<b>Total</b>		

**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	200	461
5.2	Deposits at call	6,703	8,067
5.3	Bank overdraft		-
5.4	Other (provide details)		-
<b>Total: cash at end of quarter</b> (item 1.22)		6,903	8,528

**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	Nil		
6.2	Interests in mining tenements acquired or increased	Nil		

+ 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 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	249,324,530	249,324,530		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	550,000 500,000 136,511,805 50,000,000 40,000,000 16,400,000 3,300,000 3,300,000	- - 136,511,805 - - - - -	<i>Exercise price</i> 42.7 cents 36.7 cents 27.7 cents 32.7 cents 37.7 cents 40.0 cents 90.0 cents \$1.40	<i>Expiry date</i> 22 October 2008 9 February 2009 31 October 2008 31 October 2009 31 October 2010 31 December 2007 30 June 2008 30 June 2009
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

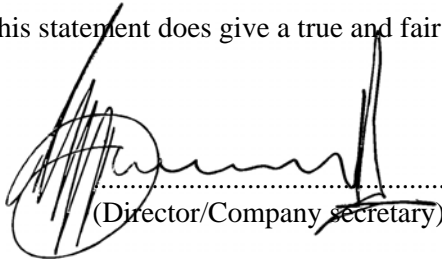
+ See chapter 19 for defined terms.

## 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:

  
.....  
(Director/Company secretary)

Date: 27 April 2007

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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