

10 May 2007

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

2007 DRILLING PROGRAM COMMENCES AT CAPE LAMBERT IRON ORE PROJECT

KEY POINTS

- Infill and extension reverse circulation (“RC”) drilling program commenced at the Cape Lambert Project on 9 May 2007.
- 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; and
- Davis Tube Recovery (“DTR”) results for the last four holes of the 2006 drilling program now received, and significant intercepts include;
 - Drill hole MA264, 29m thickness from 63m with 35% recovery to concentrate at a concentrate grade of 66.2% Fe and 6.1% silica; and
 - Drill hole MA266, 40m thickness from 172m with 35.3% recovery to concentrate at a concentrate grade of 65.6% Fe and 5.4% silica.

BACKGROUND

Cape Lambert Iron Ore Limited (ASX: **CFE**, AIM: **CLIO**) is pleased to advise the market that drilling has commenced at the Cape Lambert Iron Ore Project, and report the remaining significant DTR results for drill holes from the 2006 drilling program.

2007 Drilling Program

The infill and extension reverse circulation drilling program for the 2007 year commenced on 9 May 2007.

The proposed advance for this 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 has tentative confirmation of its delivery.

The first 18 holes of the 2007 RC drilling program are planned to test the northern extension of the Central Target Area, the north-eastern extension of section 13,200E and infill to the north of the northeast extent of section 13,200E (refer Figure 1 and Figure 2).

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 geomechanical analysis and to enhance the Company's understanding of the structural geology.

Significant DTR Results

The Company has now received the final DTR results from the 2006 drilling program.

These results complete the final reporting of significant DTR intercepts from 1,709 samples submitted for DTR testing from the 2006 RC drilling program.

Significant results are summarised in Table1.

Table 1: Summary Davis Tube Recovery Results

Hole_ID	MGA - 94		Sample (m)			DTR results				
	Easting	Northing	From	To	Interval	Recoverable Mag Wt (%)	Fe grade (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
MA264	509460	7711788	63	92	29	35.0	66.2	6.1	0.60	0.010
MA266	509528	7711652	172	212	40	35.3	65.6	5.4	0.60	0.010
MA233	510201	7707904	256	280	24	38.8	63.0	9.0	0.76	0.012
MA234	510139	7708346	336	356	20	38.4	64.4	8.0	0.40	0.010

Notes:

- All holes are collared vertically.
- Sample interval comprises 4m composites.
- Each 4m composite is individually tested by DTR, with all composite results average for the interval.
- Minimum DTR interval of 16 metres.
- DTR interval is apparent, not true.
- DTR head samples prepared to nominally 100% passing 45 micrometres.
- DTR testing performed by AMDEL Limited (Mineral Services Laboratory) and Independent Metallurgical Laboratories Pty Ltd with chemical analysis by X-ray Fluorescence Spectrometry (XRF).

Drill holes MA264 and MA266 are on line 14,400E, approximately 400m apart (refer Figure 1). Both holes returned good recovery to concentrate ($\geq 35\%$) and Fe grades, and relatively low silica.

With the recommencement of RC drilling at Cape Lambert, the Company hopes to release further DTR results in the September quarter allowing for an average DTR test turnaround of approximately 2 months.

The Company's Third Quarter Activities report released on 30 April 2007 ("Quarterly Report"), contained references to Figure 1 and Figure 2. The Quarterly Report was inadvertently released without Figure 1 and Figure 2 attached. Figure 1 and Figure 2 attached to this announcement are the same Figures and can be referred to when reading the Quarterly Report.

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Tony Sage
Executive Director

The DTR 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.

For more information please contact:

Cape Lambert Iron Ore Limited

Tony Sage +61 8 9380 9555
Ian Burston +61 8 9380 9555

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 6600
+44 (0)781 215 9885
Jos Simson +44 (0)789 987 0450

Website:

www.capelam.com.au

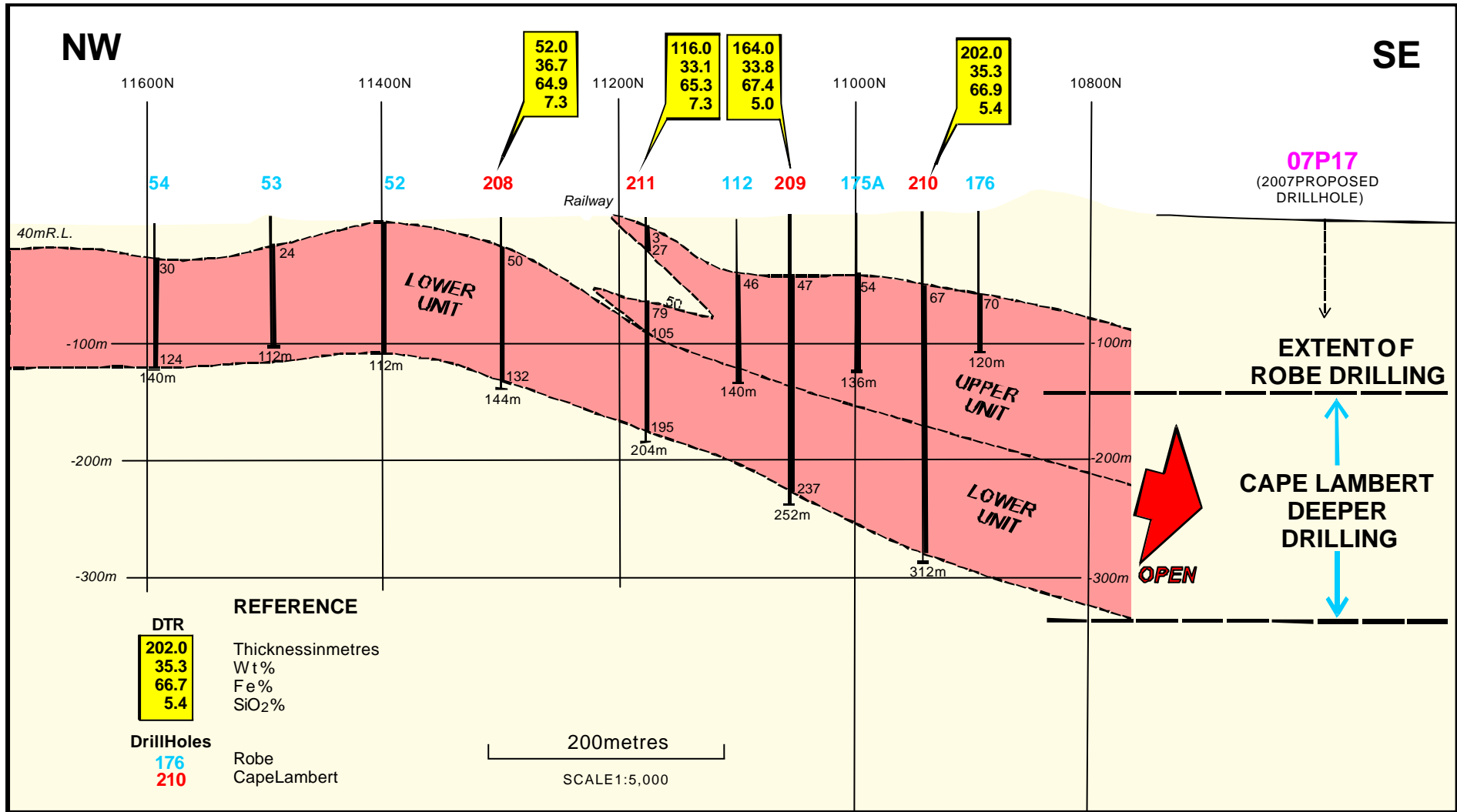


**CAPELAMBERT PROJECT
INITIAL 2007 DRILLING PROGRAM**

APRIL 2007



Figure 1



CAPE LAMBERT PROJECT

SECTION 13 200E

(Southeast only)

APRIL 2007



Figure 2