Cape Lambert Iron Ore Ltd

26 September 2007

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

DRILLING UPDATE FOR THE CAPE LAMBERT IRON ORE PROJECT

KEY POINTS

- Three drill rigs (1 x diamond plus, 2 x reverse circulation) currently working at the Cape Lambert iron ore project;
- To 24 September 2007;
  - 44 reverse circulation ("RC") holes have been completed for an advance of 16,948m;
  - 2 diamond holes and 7 diamond tails have been completed for an advance of 779 and 1,552m respectively; and
  - 2,377 samples have been submitted for Davis Tube Recovery ("DTR") analysis.
- DTR results received for a further 6 RC holes. Significant results include;
  - MA308, 32m (from 43m) at an average DTR recovery of 40% mass to concentrate with a concentrate grade of 64% Fe and 8% silica; and
  - MA310, 24m (from 80m) at an average DTR recovery of 33% mass to concentrate with a concentrate grade of 66% Fe and 5.7% silica.

BACKGROUND

Iron ore exploration and development company, Cape Lambert Iron Ore Limited (the "Company") (ASX: **CFE**, AIM: **CLIO**) is pleased to update the market on drilling activities at its 100% owned Cape Lambert iron ore project (the "Project"), located in the Pilbara region, Western Australia (refer Figure 1).

RC drilling

Infill and extension reverse circulation ("RC") drilling commenced at the Project on 9 May 2007. The Company is proposing to complete approximately 33,000m of RC drilling during 2007. The objective of the RC drilling is to infill to a hole spacing of 200m by 100m within the Central Target Area ("CTA"), and to extend the CTA to the north and east (refer Figure 2).

The Company currently has two RC drill rigs working at the Project. Up to 24 September 2007, a total of 44 RC holes had been completed for a total advance of 16,948m. Most of these holes were designed to test the extent of mineralisation along strike to the north of significant intersections encountered in earlier holes on section 13,200 east (refer Figure 2).

RC drilling in the December 2007 quarter will focus within the northern extension area (refer Figure 2) and testing the new magnetic targets outlined in the Company's release dated 20 September 2007.

DTR results

The Company has received DTR results for a further six RC holes (including these 6 holes, results for a total of 11 out of 44 holes now received), which are summarised in Table 1. Significant DTR results include;

- MA308, 32m (from 43m) at an average DTR recovery of 40% mass to concentrate with a concentrate grade of 64% Fe and 8% silica; and
- MA310, 24m (from 80m) at an average DTR recovery of 33% mass to concentrate at a concentrate grade of 66% Fe and 5.7% silica.

To date, the Company has submitted 2,377 samples for DTR analysis (compares with 1,709 for 2006) and received results for 531 samples (approximately 22% of samples submitted). Whilst the industry has expanded the number of DTR units available, the current slowness in turnaround relates to the time taken for chemical assays to be completed by laboratories.

Diamond drilling

Up to 24 September 2007, the Company had completed 2 diamond holes and 7 diamond tails for an advance of 779 and 1,552m respectively.

A 10,000m diamond core drilling program is planned. The first core from the diamond program has arrived in Perth, with geotechnical logging completed, and metallurgical test work for flow sheet development about to commence.

Sale of 70% interest in the Cape Lambert iron ore project

Further to its announcement on 5 September 2007, the Company wishes to advise that the first payment date for the sale of a 70% interest in the Project to Delong Holding Limited has been moved by mutual agreement from Sunday 30 September 2007 to Tuesday 2 October 2007 (Monday, 1 October is a Public Holiday in Western Australia).

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Tony Sage
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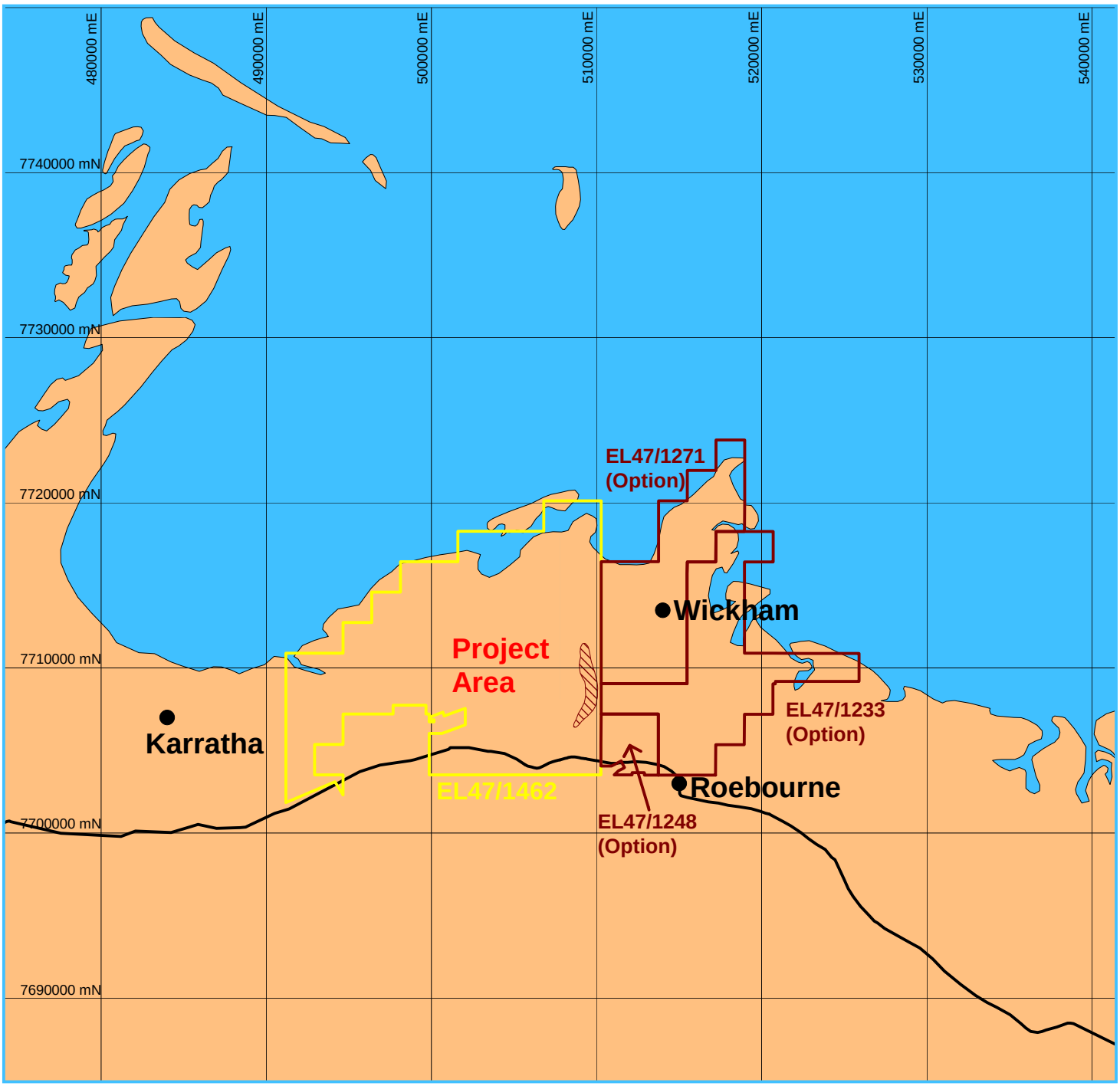
Table 1: Significant Davis Tube Recovery Results

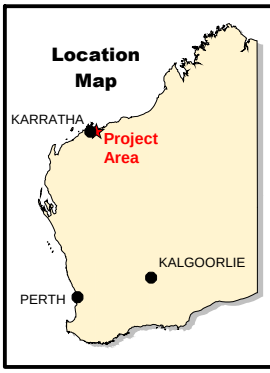
	LOCATION		SAMPLE			HEAD	DTR RESULT					
	Easting	Northing	from	to	interval	Fe	Mass	Fe	SiO_2	Al_2O_3	P	S
Hole ID	(MGA94)	(MGA94)	(m)	(m)	(m)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
MA304	510129	7709759	272	341	69	32.9	37.0	65.2	6.6	0.51	0.009	0.100
MA305	510243	7709596	192	215	23	31.8	35.2	65.4	6.4	0.68	0.012	0.152
MA307	510194	7709317	163	201	38	35.7	41.0	63.4	8.8	0.43	0.009	0.015
MA308	509916	7709366	43	75	32	35.6	39.5	63.9	8.0	0.33	0.006	0.010
			103	130	27	29.5	31.6	64.2	7.2	0.73	0.011	0.049
MA309	509899	7710087	305	323	18	34.7	42.2	63.1	8.4	0.40	0.010	0.043
			351	371	20	32.4	35.1	63.8	8.1	0.64	0.011	0.174
MA310	509842	7710169	80	104	24	31.4	32.6	66.0	5.7	0.53	0.008	0.037
			328	364	36	36.2	45.2	63.8	8.5	0.26	0.009	0.011
			416	436	20	30.6	32.2	64.6	6.9	0.80	0.008	0.043

Notes:

- All holes collared vertically.
- 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.
- DTR head samples prepared to nominally 100% passing 45 micrometers.
- DTR testing performed by AMDEL Limited (IML laboratory) with chemical analysis by X-ray Fluorescence Spectrometry (XRF).
- Minimum reported DTR interval is 16 metres at a 9% SiO_2 concentrate grade top-cut.

The DTR information in this report is based on information complied 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.





Legend

- Central Target Area
- Project Tenement
- Option Tenements

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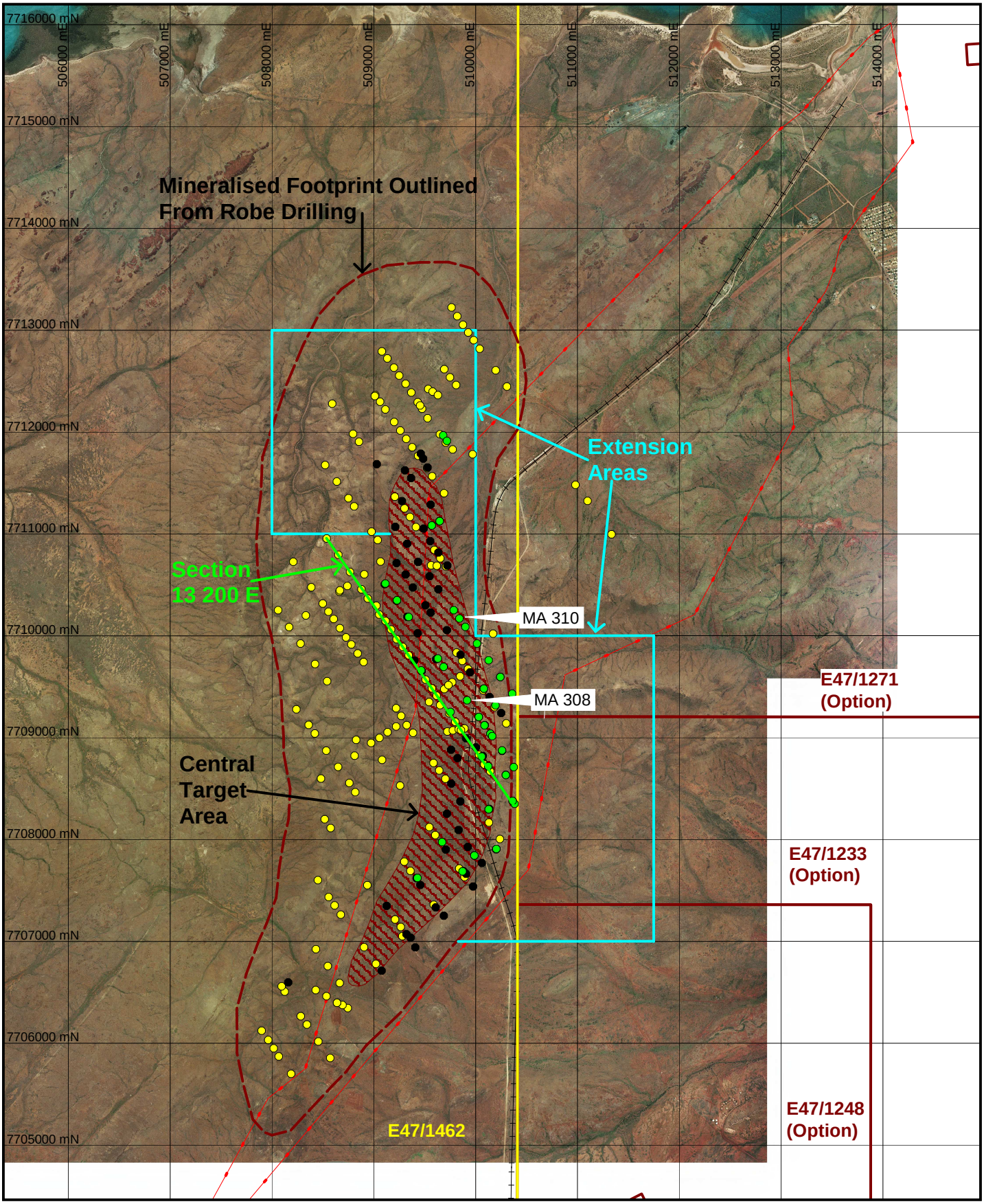
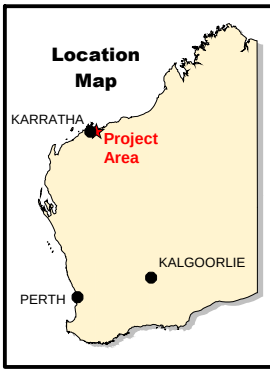
Figure 1
Tenement and Project Area

Author:		Date:	August 2007
Drawn:		Revised:	September 2007
Dwg No.:	CLIO 023	Report No.:	
Datum:	GDA 94	Scale:	1 : 350 000





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Kilometers

Legend

- Power Line
- Railway Line
- Project Tenement
- Option Tenements
- CFE 2007 Drill Hole
- CFE 2006 Drill Hole
- Robe Drill Hole

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Figure 2
Drill Hole Locations

Author:	Date: August 2007
Drawn:	Revised: September 2007
Dwg No.: CLIO 015	Report No.:
Datum: GDA94	Scale: 1:50 000