

7 March 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

Half Yearly Financial Report

Please find attached the Company's Consolidated Financial Report for the half-year ended 31 December 2007.

Yours faithfully
Cape Lambert Iron Ore Limited

Tim Turner
Company Secretary

FOR MORE INFORMATION PLEASE CONTACT:

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CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 2007

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

Company Directory	1
Directors' Report	2
Auditor's Independence Declaration	6
Consolidated Income Statement	7
Consolidated Balance Sheet	8
Consolidated Statement of Changes in Equity	9
Consolidated Cash Flow Statement	10
Notes to the Financial Statements	11
Directors' Declaration	16
Independent Review Report	17

COMPANY DIRECTORY

DIRECTORS

Ian Burston
(Executive Chairman)

Antony WP Sage
(Executive Director)

Timothy P Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

Peter Landau
(Non-Executive Director)

COMPANY SECRETARY

Timothy P Turner

REGISTERED OFFICE

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AUDITORS

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PERTH WA 6000
Telephone: (08) 9238 3000 Facsimile: (08) 9238 3999

SHARE REGISTRAR

Computershare Investor Services
Level 2, 45 St George's Terrace
PERTH WA 6000
Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE, CFEO
London Stock Exchange (AIM)
Code CLIO

CAPE LAMBERT IRON ORE LIMITED
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AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2007.

DIRECTORS

The names of Directors who held office during or since the end of the half year are set out below. Directors were in office for this entire period unless otherwise stated.

Ian Burston
Antony Sage
Timothy Turner
Brian Maher
Peter Landau

REVIEW OF OPERATIONS

RESULTS

The consolidated entity made an after tax loss for the half year of \$917,530 (2006: \$3,294,833).

CAPE LAMBERT IRON ORE PROJECT

Work during the half year focused on resource drilling aimed at increasing the size of, and confidence in, the mineral resource. The Company's objective during the half year was to define a sufficient resource base to produce at least 15 million tonnes per annum of magnetite concentrate over a minimum 20 year mine life.

January 2008 Resource Upgrade

Independent, international mining consultant Golder Associates completed an interim resource update late in January 2008. This upgrade included the assay results from 65 of the 88 Reverse Circulation ("RC") holes from the 2007 drilling campaign and bulk density measurements determined from diamond drill core. The resource estimate, at a 20% Fe lower cut-off grade, is summarised in the following table.

January 2008 Resource Estimate

Resource Classification	Million Tonnes	Fe (%)	SiO₂ (%)	Al₂O₃ (%)	P (%)	S (%)	LOI (%)
Indicated	979	31.4	40.2	2.25	0.025	0.14	5.95
Inferred	577	30.8	41.0	2.22	0.025	0.13	7.38
Total	1,556	31.2	40.5	2.24	0.025	0.13	6.48

This resource upgrade (refer ASX release dated 30 January 2008 for full details) represents a significant **59% increase** on the 977Mt resource announced in June 2007.

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AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

DIRECTORS' REPORT

Tenement Application ELA47/1493

In 2005, the Company made application for exploration tenement ELA47/1493, which lies to the south of, and is contiguous with, the main Project tenement E47/1462. Part of this application was a granted title held by others, which was recently extinguished. The extinguishment of the pre-existing title has enabled the Company to initiate the granting of ELA47/1493. This is expected to be completed late in the June 2008 quarter.

This tenement, which has an area of approximately 35km², has an identified 3km long untested, magnetic anomaly located on the eastern margin. This anomaly is thought to represent the southern strike extension of the Cape Lambert resource, which lies within the highly prospective Cleaverville geological formation.

Aeromagnetic Survey

Resource Potentials, an independent geophysical consultant, completed an interpretation of the helimag survey flown over the Project area and commenced work on a 3D model. The model will provide a useful tool in optimising drill hole locations.

Program of Work

A statutory Program of Work to enable drill testing of the newly discovered magnetic anomalies on tenements E47/1233 and E47/1271 was approved by the Department of Industry and Resources. Drilling commenced late in the quarter (refer below).

RC Drilling

The RC drilling program continued during the half year ended 31 December 2007 with 39 drill holes completed for a total advance of 11,810 metres. A total of 88 holes were completed in calendar 2007 for a total advance of 31,013 metres. This compares with 69 holes being completed in calendar 2006 for an advance of 18,052 metres.

The main focus of the drilling during the half year was to extend the Central Target Area ("CTA") resource beyond its known limits towards the north and to infill areas for the January 2008 resource update.

Drilling within the Northern Extension Area identified significant and previously unknown extensions to the mineralisation, both along strike and down-dip. This northern extension to the magnetite mineralisation has yet to be closed-off along strike or down-dip. Drilling in this area will continue during the March 2008 quarter.

Several drill holes were completed on the newly discovered magnetic anomalies within tenements E47/1233 and E47/1271. These holes intersected numerous thick intervals (>60m) of mineralised Banded Iron Formation. Assay results for these holes are expected to be received in February 2008.

**CAPE LAMBERT IRON ORE LIMITED
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**INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007**

DIRECTORS' REPORT

Diamond Drilling

The diamond drill program (10,000 metres planned) continued during the half year, with a total advance of 2,288 metres (8 holes). This comprised 7 HQ metallurgical holes and 1 NQ diamond tail. Total advance for 2007 was 4,756 metres (18 holes).

The DTR results continue to show that the magnetite mineralisation at Cape Lambert is capable of being concentrated to a saleable product.

Metallurgical Flowsheet Development and Testwork

Metallurgical testwork on diamond drill core commenced at independent laboratory Amdel Pty Ltd. This included; bond impact crushing work index, JK drop-weight, unconfined compressive strength and SAG mill comminution test work.

Geotechnical and Hydrogeological Studies

Coffey Mining Pty Ltd continued geotechnical logging of diamond drill core.

Water level monitoring transducers were installed in 3 existing drill holes. This will enable the seasonal influences on the groundwater regime to be measured and the impact of the wet season to be monitored.

Native Title

Heritage clearances on planned drill hole locations were conducted during November and December. The clearances provided access to drilling areas at several locations, including the newly discovered magnetic anomalies.

CORPORATE

Global Iron Limited

Admission of Global Iron Limited (ASX: GFE) to the official List of the Australian Stock Exchange occurred on 16 October 2007. Official Quotation of securities commenced on 18 October 2007.

An "In-specie" issue of GFE shares was made to shareholders of the Company. The shares issued were held in escrow until 21 January 2008.

Exercise of Option to Acquire Adjacent Tenements (EL47/1233, EL47/1248, EL47/1271)

On 4 October 2007, the Company gave notice of the exercise of its option to acquire the above tenements. The acquisition was settled on 31 October 2007, increasing the Company's landholding 70% from 218km² to 373km².

The newly acquired tenements are adjacent to, and contiguous with, the eastern portion of tenement E47/1462 and are strategically important, given the recently identified magnetic anomalies located within them and their close proximity to the Project.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

DIRECTORS' REPORT

Termination of Ding Sale Agreement

On 5 September 2007, the Company announced the date for the first payment of US\$57.75M pursuant to the Sale Agreement with Mr. Ding had been extended to 30 September 2007 by mutual agreement. Subsequently, Mr. Ding failed to make the first payment and the Sale Agreement was terminated.

Memorandum of Understanding Signed with MCC for Sale of Project

As announced to ASX on 26 February 2008, the Company has signed an MoU with Chinese conglomerate, China Metallurgical Group Corporation ("MCC"), for the sale of the Company's Cape Lambert Iron Ore Project located in the Pilbara region of Western Australia.

Under the terms of the MoU, MCC has secured an exclusive right (until 30 April 2008) to conduct due diligence for the acquisition of the Project. MCC has paid a deposit of A\$10 million, with A\$5 million of this being non-refundable if MCC withdraws. The entire deposit will be offset from the sale consideration when MCC complete the acquisition of the Project. The key terms of the proposed sale have largely been agreed. MCC will purchase the Company's entire Project land package (Exploration Licenses 47/1462, 47/1271, 47/1248 and 47/1233), **other than** Exploration License Application 47/1493, for a total consideration of A\$400 million. The consideration will be paid in three tranches. Tranche 1 will be A\$240 million or 60% and each of tranches 2 and 3 will be A\$80 million or 20% respectively.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half year ended 31 December 2007.

This report is signed in accordance with a resolution of the Board of Directors.

Timothy Turner
Director

Dated this 7th day of March 2008

Auditor's Independence Declaration

As lead auditor for the review of Cape Lambert Iron Ore Limited for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cape Lambert Iron Ore Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
7th March 2008

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

CONSOLIDATED INCOME STATEMENT

		Consolidated	
	Note	31 December 2007 \$	31 December 2006 \$
Continuing Operations			
Revenue	2	379,972	694,398
Other income	3	1,240,395	-
Employee benefits expense		(353,524)	(1,027,991)
Corporate and other administration expenses		(454,338)	(707,325)
Consultancy costs		(684,705)	(637,398)
Compliance and regulatory expenses		(174,123)	(45,628)
Net fair value (decrement) / increment on held for trading investments		(647,390)	605,510
Depreciation and amortisation expense		(42,293)	(27,259)
Occupancy expenses		(181,524)	(43,003)
Impairment of exploration expenditure	8	-	(2,106,137)
Loss from continuing operations before income tax		(917,530)	(3,294,833)
Income tax expense		-	-
Loss attributable to members of the parent entity		(917,530)	(3,294,833)
Basic loss per share (cents per share)		(0.30)	(1.32)

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

CONSOLIDATED BALANCE SHEET

	Note	Consolidated 31 December 2007 \$	30 June 2007 \$
CURRENT ASSETS			
Cash and cash equivalents		2,667,621	1,917,384
Trade and other receivables		2,925,587	5,047,730
TOTAL CURRENT ASSETS		5,593,208	6,965,114
NON-CURRENT ASSETS			
Trade and other receivables		8,268	11,541
Held for trading financial assets		2,607,070	4,429,490
Other non-current assets		140,104	288,448
Plant and equipment		213,939	238,561
Exploration, evaluation and development expenditure	8	52,551,200	38,324,659
TOTAL NON-CURRENT ASSETS		55,520,581	43,292,699
TOTAL ASSETS		61,113,789	50,257,813
CURRENT LIABILITIES			
Trade and other payables		1,463,205	2,261,318
TOTAL CURRENT LIABILITIES		1,463,205	2,261,318
TOTAL LIABILITIES		1,463,205	2,261,318
NET ASSETS		59,650,584	47,996,495
EQUITY			
Contributed equity		65,474,564	54,094,995
Reserves		18,855,280	17,663,230
Retained earnings		(24,679,260)	(23,761,730)
TOTAL EQUITY		59,650,584	47,996,495

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
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AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Asset Appreciation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2006	52,993,719	(19,816,444)	16,526,778	138,130	49,842,183
Available for sale financial instruments					
• Reversal of valuation gain taken to equity	-	-	-	(138,130)	(138,130)
Loss attributable to members	-	(3,294,833)	-	-	(3,294,833)
Value of options issued to Directors	-		708,915	-	708,915
Value of options issued to Employees	-	-	19,849	-	19,849
Value of options issued to Consultants	-	-	407,688	-	407,688
Balance at 31 December 2006	52,993,719	(23,111,277)	17,663,230	-	47,545,672
Balance at 1 July 2007	54,094,995	(23,761,730)	17,663,230	-	47,996,495
Loss attributable to members	-	(917,530)	-	-	(917,530)
Value of options issued to Employees	-	-	194,700	-	194,700
Value of options issued to Consultants	-	-	997,350	-	997,350
Shares issued during the period	2,000,000	-	-	-	2,000,000
Option conversions	9,379,569	-	-	-	9,379,569
Balance at 31 December 2007	65,474,564	(24,679,260)	18,855,280	-	59,650,584

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

CONSOLIDATED STATEMENT OF CASHFLOWS

	Consolidated		
	Note	31 December	31 December
		2007	2006
		\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(1,417,188)	(1,572,068)
Interest and bill discounts received		203,898	369,925
Payments for exploration and evaluation (inclusive of GST)		(9,229,191)	(3,176,447)
Non refundable deposit – Ding transaction		750,000	-
Receipts – other		56,650	313,000
		(9,635,831)	(4,065,590)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of exploration assets		(2,000,000)	
Purchase of property, plant and equipment		(17,671)	(86,686)
Proceeds from sale of held for trading financial assets		1,514,760	172,657
Payment for held for trading financial assets		(69,500)	(202,335)
Proceeds from environmental bonds		148,344	-
Proceeds from loan from other entity		2,003,273	-
		1,579,206	(116,364)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		8,806,862	-
		8,806,862	-
Net increase/(decrease) in cash and cash equivalents		750,237	(4,181,954)
Cash and cash equivalents at beginning of period		1,917,384	12,709,573
		2,667,621	8,527,619

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This general purpose consolidated financial report for the half-year ended 31 December 2007 has been prepared in accordance with AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Cape Lambert Iron Ore Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2007 annual financial report for the financial year ended 30 June 2007.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS

		31 December 2007	31 December 2006
		\$	\$
2. REVENUE			
Interest		379,972	311,729
Revenue from services		-	382,669
		379,972	694,398
3. OTHER INCOME			
Income from sale of investments		433,745	-
Non refundable deposit – Ding transaction		750,000	-
Other		56,650	-
		1,240,395	-

4. SEGMENT INFORMATION

Primary reporting - Geographical Segments

The consolidated entity operates in two main geographical segments:

Australia: The home country of the parent entity which is the main operating entity. The area of operation is Mineral Exploration.

Romania: Comprises operations in Mineral Exploration only. All administration for the Romanian assets is performed in Australia.

	\$	\$	\$
Primary Reporting – Geographical Segments	Australia	Romania	Consolidated
31 December 2007			
Revenue	379,972	-	379,972
Segment result (loss)	(917,530)	-	(917,530)

	\$	\$	\$
Primary Reporting – Geographical Segments	Australia	Romania	Consolidated
31 December 2006			
Revenue	694,398	-	694,398
Segment result (loss) before finance costs or revenues and gains or losses on investments	(1,189,436)	(2,105,397)	(3,294,833)

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS

5. SECURITIES ISSUED DURING THE PERIOD

Ordinary fully paid shares

Shares issued on exercise of options:

On 2 July 2007 the Company issued 650,000 ordinary fully paid shares pursuant to the exercise of options for consideration of \$229,250.

On 4 July 2007 the Company issued 1,239,917 ordinary fully paid shares pursuant to the exercise of options for consideration of \$343,457.

On 24 July 2007 the Company issued 8,221,196 ordinary fully paid shares pursuant to the exercise of options for consideration of \$2,821,549.

On 30 July 2007 the Company issued 2,525,000 ordinary fully paid shares pursuant to the exercise of options for consideration of \$1,010,000.

On 31 July 2007 the Company issued 131,857 ordinary fully paid shares pursuant to the exercise of options for consideration of \$36,524.

On 6 September 2007 the Company issued 12,000,000 ordinary fully paid shares pursuant to the exercise of options for consideration of \$4,524,000.

On 22 October 2007 the Company issued 13,501 ordinary fully paid shares pursuant to the exercise of options for consideration of \$3,739.

On 3 December 2007 the Company issued 914,175 ordinary fully paid shares pursuant to the exercise of options for consideration of \$365,670.

Shares issued for the acquisition of exploration property:

On 1 November 2007 the Company issued 3,739,716 ordinary fully paid shares pursuant to the acquisition of tenements for consideration of \$2,000,000 (refer Note 7 (i)).

Options

On 26 July 2007, the Company issued 6,350,000 options exercisable at \$0.49 each on or before 30 June 2008 issued to Contractors and staff as approved at the Annual General Meeting of shareholders held 16 July 2007. The options were valued at \$0.177 each (total \$1,123,990) using the Black and Scholes Option Pricing Model on the following assumptions:

Stock price: \$0.57

Days to expiration: 340

Forecast volatility: 60%

Risk free rate: 5.58%

Discount for unlisted securities: Nil – in the money options.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS

On 26 September 2007, the Company issued 300,000 options exercisable at \$0.49 each on or before 30 June 2008 issued to Staff as approved at the Annual General Meeting of shareholders held 16 July 2007. The options were valued at \$0.227 each (total \$68,100) using the Black and Scholes Option Pricing Model on the following assumptions:

Stock price: \$0.65
Days to expiration: 278
Forecast volatility: 60%
Risk free rate: 5.58%
Discount for unlisted securities: Nil – in the money options.

6. CONTINGENT LIABILITIES

Since the last annual reporting date, there have been no material changes in any contingent liabilities

7. EVENTS SUBSEQUENT TO REPORTING DATE

Memorandum of Understanding Signed with MCC for Sale of Project

As announced to ASX on 26 February 2008, the Company has signed an MoU with Chinese conglomerate, China Metallurgical Group Corporation (“MCC”), for the sale of the Company’s Cape Lambert Iron Ore Project located in the Pilbara region of Western Australia.

Under the terms of the MoU, MCC has secured an exclusive right (until 30 April 2008) to conduct due diligence for the acquisition of the Project. MCC has paid a deposit of A\$10 million, with A\$5 million of this being non-refundable if MCC withdraws. The entire deposit will be offset from the sale consideration when MCC complete the acquisition of the Project. The key terms of the proposed sale have largely been agreed. MCC will purchase the Company’s entire Project land package (Exploration Licenses 47/1462, 47/1271, 47/1248 and 47/1233), **other than** Exploration License Application 47/1493, for a total consideration of A\$400 million. The consideration will be paid in three tranches. Tranche 1 will be A\$240 million or 60% and each of tranches 2 and 3 will be A\$80 million or 20% respectively.

Other than detailed above, no event has arisen since 31 December 2007, that would be likely to materially affect the operations of the consolidated entity, or its state of affairs not otherwise disclosed in the entity’s financial report.

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS

8. EXPLORATION EVALUATION AND DEVELOPMENT ASSETS

	6 Months to 31 December 2007 \$	Year Ended 30 June 2007 \$	6 Months to 31 December 2006 \$
Costs carried forward in respect of areas of interest in:			
- Exploration and evaluation phases – at cost	16,610,745	6,384,204	4,253,027
- Fair value of exploration assets acquired	<u>35,940,455</u>	<u>31,940,455</u>	<u>31,488,455</u>
Carried forward exploration, evaluation and development expenditure	<u><u>52,551,200</u></u>	<u><u>38,324,659</u></u>	<u><u>35,741,482</u></u>
Exploration and evaluation phases			
<i>Movement in carrying amounts</i>			
Brought forward	38,324,659	34,504,276	34,504,276
Impairment of exploration expenses (i)	-	(2,803,195)	(2,106,137)
Exploration and evaluation expenditure capitalised during the period	10,226,541	6,171,578	3,343,343
Consideration for exploration assets acquired during the period – at valuation (i)	<u>4,000,000</u>	<u>452,000</u>	<u>-</u>
Total exploration and evaluation phases	<u><u>52,551,200</u></u>	<u><u>38,324,659</u></u>	<u><u>35,741,482</u></u>

(i) The Company paid \$4,000,000 for the acquisition of exploration property. Consideration was settled by the payment of \$2,000,000 cash and the issue of 3,739,716 ordinary fully paid shares (refer Note 4).

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The consolidated entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

9. RELATED PARTY DISCLOSURES

On 23 November 2007, Okewood Pty Ltd, a company owned and controlled by Antony Sage, purchased the Company's holdings in ASX listed entity Jackson Minerals Limited (JAK) for consideration of \$834,330. The consideration represented \$0.14 per JAK share. The closing price of JAK on 22 November 2007 was \$0.13. This represented a loss from the carrying value of the JAK securities as at 30 June 2007 of \$59,596.

**CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES**

**INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2007**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Cape Lambert Iron Ore Limited, I state that:

In the directors' opinion:

(a) the financial statements and notes of the consolidated entity set out on pages 7 to 15 are in accordance with the *Corporations Act 2001* including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Antony Sage
Director

Dated this 7th day of March 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT
to the members of Cape Lambert Iron Ore Limited**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cape Lambert Iron Ore Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Cape Lambert Iron Ore Limited Group (the consolidated entity). The consolidated entity comprises Cape Lambert Iron Ore Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cape Lambert Iron Ore Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cape Lambert Iron Ore Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position at 31 December 2007 and of its performance for the half-year ended on that date, and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

Nick Henry
Partner

Perth
7th March 2008