

15 April 2008

The Company Announcements Office  
ASX Limited

**Via E Lodgement**

**QUARTERLY REPORT FOR PERIOD ENDING 31 MARCH 2008 AND APPENDIX 5B**

Yours faithfully  
CAPE LAMBERT IRON ORE LIMITED

Ian Burston  
**Executive Chairman**

# **REPORT FOR THE QUARTER ENDING 31 MARCH 2008**

## **COMPANY HIGHLIGHTS**

### **Corporate**

- Memorandum of Understanding (“MoU”) signed with Chinese conglomerate, China Metallurgical Group Corporation (“MCC”) for the AUD\$400 million sale of the Cape Lambert Iron Ore project,
- AUD\$10 million deposit paid, AUD\$5 million being non-refundable, and due diligence by MCC, which is to be completed on or before 30 April 2008, is progressing satisfactorily,
- Proposed sale of the project is subject to a number of conditions including successful completion of due diligence by MCC, and shareholder, Foreign Investment Review Board (“FIRB”) and Chinese government approvals,
- Late in the quarter, MCC lodged an application with FIRB to gain approval for the sale,
- Work is continuing on the Share and Tenement Sale Agreement, which is now expected to be finalised shortly after MCC completes its due diligence,
- On successful completion of the proposed transaction with MCC, the Board intends to follow an investment strategy to acquire assets at either company or project level. The Company has stepped up the review of new business opportunities whilst assisting MCC with its due diligence.

### **Cape Lambert Iron Ore Project**

- Following the signing of the MoU with MCC, project development activities were scaled back to minimise non-value adding expenditure. Consequently, the proposed June 2008 resource update has been deferred indefinitely,
- Work continued on the grant of ELA 47/1493 during the quarter. This tenement is now expected to be granted in the September 2008 quarter. A work program and budget with the objective of testing the 3km magnetic anomaly, and if initial testing is successful, defining an inferred resource have been developed,
- Key drilling metrics for the quarter were,
  - 25 reverse circulation (“RC”) holes completed for an advance of 6,606m, and
  - 8 diamond holes completed for an advance of 1,038m.
- Reverse flotation, silica reduction metallurgical test program completed at the Iron Ore Processing Research Institute, Liebenburg Germany, showed silica levels in a worst case primary magnetite concentrate could be reduced from 8.3% to 4.8% with greater than 91% iron recovery (i.e. minimal loss of Fe units). Importantly, the tests were conducted on 50kg of concentrate produced from a 150kg composite sample,
- A single RC hole (MA350) designed to test the Mt Dickson Anomaly, which lies on tenement EL47/1271, intersected a 125m thick unit of Banded Iron Formation containing two (2) zones of significant magnetite mineralisation.

## CORPORATE

Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX: **CFE**, AIM: **CLIO**) is an Australian iron ore and exploration development company, which owns 100% of the Cape Lambert Iron Ore project (the "Project"), located in the Pilbara region of Western Australia (refer Figure 1). The Project currently has a 1.56 billion tonne JORC<sup>1</sup> compliant magnetite iron ore resource<sup>2</sup> and is at feasibility stage. Resource drilling continued in the March quarter with the objective of further increasing the resource to enable the development of a standalone, open pit mining operation capable of producing 15Mtpa of magnetite concentrate.

### **Sale of Cape Lambert Iron Ore Project**

On 26 February 2008, the Company announced that a Memorandum of Understanding ("MoU") had been signed with Chinese conglomerate, China Metallurgical Group Corporation ("MCC") for the sale of the Cape Lambert Iron Ore project.

Under the terms of the MoU, MCC will pay a total consideration of AUD\$400 million for the Project land package comprising tenement EL47/1462 and adjacent tenements EL47/1233, EL47/1248 and EL47/1271 (refer Figure 1). The sale excludes Exploration License Application 47/1493, which will be explored separately by Cape Lambert.

MCC has paid a deposit of AUD\$10 million, AUD\$5 million of which is not non-refundable if it withdraws from the sale.

The MoU provides for the sale consideration to be paid in three tranches; AUD\$240 million (60%) on the transaction becoming unconditional, AUD\$80 million (20%) at settlement (60 days after tranche 1) and the final payment of AUD\$70 million (AUD\$80 million less deposit) on the grant of a mining lease.

The proposed sale of the Project is subject to a number of conditions including successful completion of due diligence by MCC, and Cape Lambert shareholder, FIRB and Chinese government approvals.

MCC commenced its due diligence, which must be completed on or before 30 April 2008, immediately after the MoU was signed. MCC's due diligence is continuing and to-date has progressed satisfactorily. Work is continuing on the Share and Tenement Sale Agreement, which is now expected to be finalised shortly after MCC completes its due diligence.

Toward the end of the quarter, and after approximately 1 month of due diligence, MCC lodged an application with FIRB for approval of the sale. FIRB's decision in respect of the proposed sale is expected to be notified around the middle of May.

MCC is a substantial, vertically integrated conglomerate engaged in EPC contracting, mining, papermaking, equipment fabrication and real estate development. In the Pilbara, MCC owns 20% of the A\$5.2 billion Sino Iron Project, located approximately 120km from the Cape Lambert Iron Ore project. Further information about MCC may be found at [www.mcc.com.cn](http://www.mcc.com.cn).

<sup>1</sup> The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as may be amended from time to time.

<sup>2</sup> Refer ASX and AIM release dated 30 January 2008 for full details of the mineral resource including classification and competent persons attribute.

### **Post Sale Completion**

On successful completion of the proposed transaction with MCC, the Board intends to follow an investment strategy to acquire assets at either company or project level. Cape Lambert will have significant cash reserves and will be ideally placed to pursue this strategy in an uncertain market where access to capital is tightening.

In the near term, the Company is stepping up the review of new business opportunities whilst assisting MCC with its due diligence.

## **CAPE LAMBERT IRON ORE PROJECT**

### **Exploration License Application 47/1493**

The Company continued work on the grant of ELA 47/1493 during the quarter. This tenement is now expected to be granted in the September 2008 quarter.

This tenement application, which has an area of approximately 35km<sup>2</sup>, contains an identified 3km long, untested magnetic anomaly (refer Figure 2). This untested, magnetic anomaly is thought to represent the southern strike extension of the Cape Lambert resource, and lies within the highly prospective Cleaverville geological formation.

During the quarter, the Company prepared a work program and budget for drill testing the magnetic anomaly.

### **Reverse Circulation ("RC") Drilling**

The RC drilling program ended during the quarter. One RC rig demobilised late in January 2008, while the second RC rig demobilised at the end of February 2008. A total of 25 holes were completed during the quarter for an advance of 6,606m. To the end of this program and since acquiring the Project, the Company has completed 182 holes for a total advance of 55,671m.

The main focus of the RC drilling during the quarter was to continue to extend the resource beyond its known northern limits. Extension drilling within the Northern Extension Area (refer Figure 3) has shown that the mineralisation remains open to the north and northeast.

The Mt Dickson Anomaly, which lies on tenement EL47/1271 (refer Figure 3), and corresponds with a distinct Banded Iron Formation ("BIF") ridge, was drill tested with a single RC hole during the quarter. The drill hole, MA350, targeted the western portion of the anomaly and intersected a 125m thick unit of BIF containing 2 zones of significant magnetite mineralisation (refer Table 1). Mapping of the Mt Dickson Anomaly indicates that the BIF ridge is 1.8km in length and up to 300m in thickness in certain areas.

### **Diamond Drilling**

The current diamond drill program ended during the quarter. A total advance of 1,038m (8 holes) was achieved during the quarter. This comprised 3 HQ metallurgical holes and 5 NQ diamond tails. Total advance for the completed diamond program was 5,794m (26 holes).

### **Significant Davis Tube Recovery (“DTR”) Results**

During the quarter, DTR results were received for 24 RC holes, with significant results summarised in Table 1.

The DTR results continue to show that magnetite mineralisation at Cape Lambert is capable of being concentrated to a product suitable for the manufacture of blast furnace feed pellets (+65% Fe and  $\leq 5\%$   $[\text{SiO}_2 + \text{Al}_2\text{O}_3]$ ).

### **Metallurgical Flow Sheet Development and Test Work**

During the quarter, the Company received very encouraging metallurgical results from a test program aimed at reducing the silica content in iron ore concentrates to be produced from the Project.

Reverse flotation testing was undertaken at the Iron Ore Processing Research Institute, Liebenburg Germany to determine whether a worst case primary concentrate containing 8% silica could be improved by reducing silica levels to below 5% (suitable blast furnace pellet feed). The tests showed that by employing reverse flotation a worst case primary magnetite concentrate could be improved to 66.4% Fe and 4.8% silica with greater than 91% Fe iron recovery (i.e. minimal loss of Fe units). Importantly, the tests were conducted on 50kg of concentrate produced from a 150kg composite sample utilising the proposed Project flow sheet.

Metallurgical test work on diamond drill core continued at independent laboratory Amdel Limited. 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.

To enable the seasonal influences on the groundwater regime to be measured and the impact of the wet season to be monitored, water level monitoring of groundwater in three existing drill holes throughout the resource continued.

### **Environmental Approvals**

Environmental work to support an Environmental Impact Assessment submission continued, with the following progress made:

- Samples of potentially mineable material were sent to ALS Laboratory Group for geochemical characterisation test work, and
- A draft report on the results of the vertebrate fauna survey was received from Ninnox Wildlife Consulting.

### **June 2008 Quarter Work Program**

Work during the June quarter will focus on;

- Expediting outstanding drill assays and DTR determinations to enable all drill and assay data to be entered into the database,
- Completion of metallurgical comminution test work that is already in process,
- Assisting MCC complete its due diligence, and

- Briefing key project stakeholders in respect of the proposed Project sale.

Yours faithfully  
Cape Lambert Iron Ore limited

Ian Burston  
**Executive Chairman**

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**Website:**

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

**Competent Persons Attributes:**

*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.*

*The exploration information in this report is based on information compiled by Mr. Bruce Hunter, Regional Exploration Manager, who is a Member of The Australian Institute of Geoscientists. Mr. Hunter 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. Hunter consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.*

**Table 1: Significant Davis Tube Recovery Results**

Hole ID	LOCATION		SAMPLE			HEAD RESULT					DTR RESULT					
	Easting (MGA94)	Northing (MGA94)	from (m)	to (m)	interval (m)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)	Mass Recovery (%)	Fe (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	S (%)
MA429	509961	7713280	84	136	52	29.65	43.62	1.54	0.02	0.16	22.72	67.90	5.02	0.29	0.00	0.03
MA430	510095	7713120	260	276	16	28.77	42.18	1.92	0.02	0.21	17.49	68.38	4.76	0.25	0.00	0.03
MA431	510189	7712963	324	372	48	32.79	33.67	1.82	0.02	0.16	25.59	69.63	2.87	0.26	0.00	0.02
MA434	510290	7712820	356	412	56	33.17	34.50	0.89	0.02	0.08	26.82	69.54	3.29	0.12	0.01	0.01
MA435	510146	7712701	240	316	76	30.64	41.65	2.18	0.03	0.11	25.95	68.89	3.83	0.36	0.01	0.02
MA437	509976	7712591	192	276	84	31.94	39.34	1.32	0.02	0.08	27.33	68.87	4.07	0.19	0.00	0.01
MA439	510208	7712251	308	416	108	30.93	35.82	2.37	0.02	0.11	25.48	69.23	3.18	0.29	0.01	0.02
MA440	509861	7713088	92	192	100	30.13	41.46	2.49	0.02	0.14	25.60	68.73	4.06	0.40	0.01	0.03
MA441	509924	7712291	204	324	120	31.02	39.61	1.75	0.02	0.11	25.20	69.19	3.52	0.27	0.01	0.02
MA340	509584	7709498	40	56	16	35.48	40.05	1.07	0.02	0.02	38.82	67.63	5.20	0.16	0.00	0.01
			64	80	16	37.25	36.57	0.72	0.02	0.10	41.25	68.90	3.98	0.09	0.00	0.01
			88	108	20	30.06	41.86	2.53	0.02	0.10	34.61	66.04	6.70	0.55	0.01	0.05
			180	208	28	34.21	38.31	1.43	0.03	0.06	39.35	67.20	5.26	0.30	0.01	0.02
MA348	509981	7706489	292	308	16	28.25	31.15	2.05	0.07	0.98	27.67	63.57	7.38	0.18	0.04	1.68
MA350	5130030	7710186	124	144	20	32.70	38.96	1.83	0.07	0.16	22.87	66.50	7.04	0.25	0.02	0.04
			148	200	52	33.20	38.99	1.40	0.09	0.14	24.82	67.10	6.26	0.23	0.03	0.05
MA351	509385	7711261	340	380	40	33.93	38.64	1.41	0.02	0.12	39.17	68.08	4.84	0.27	0.01	0.04
MA352	509702	7711429	204	280	76	32.53	38.95	1.90	0.03	0.12	32.73	67.98	4.79	0.39	0.01	0.03
MA353	509698	7711428	144	188	44	31.62	36.28	1.28	0.02	0.09	23.97	68.31	4.43	0.23	0.01	0.03
			196	216	20	33.22	36.84	1.36	0.02	0.10	31.84	69.24	3.45	0.22	0.01	0.02
MA354	509979	7711395	396	416	20	34.98	35.32	0.68	0.02	0.03	36.48	67.72	5.27	0.22	0.01	0.01

Notes:

- 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 (Welshpool laboratory) and ALS Chemex with chemical analysis by X-ray Fluorescence Spectrometry (XRF).
- Minimum reported DTR interval is 16 metres at a 9% SiO<sub>2</sub> concentrate grade top-cut and 18% mass recovery to concentrate.

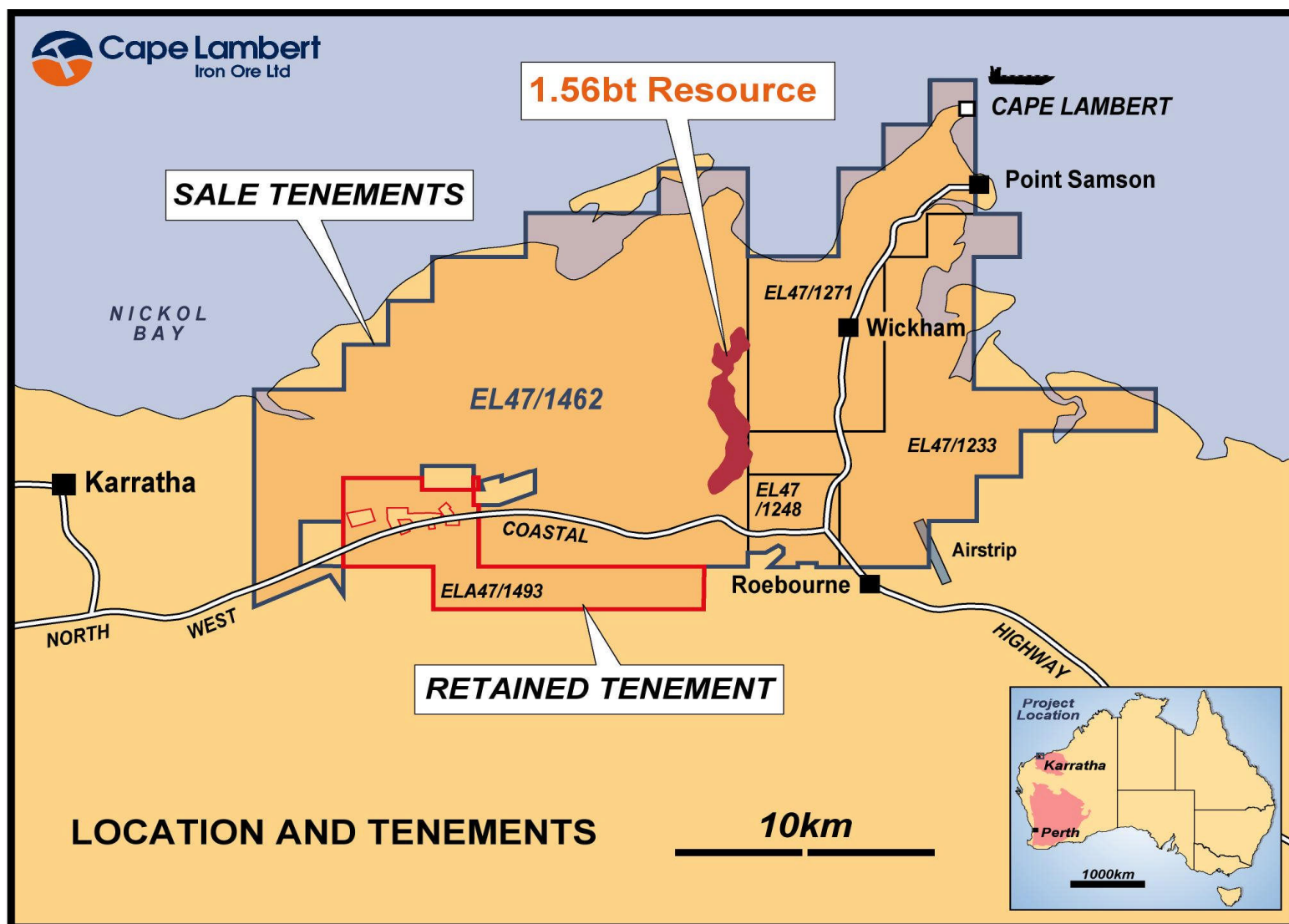
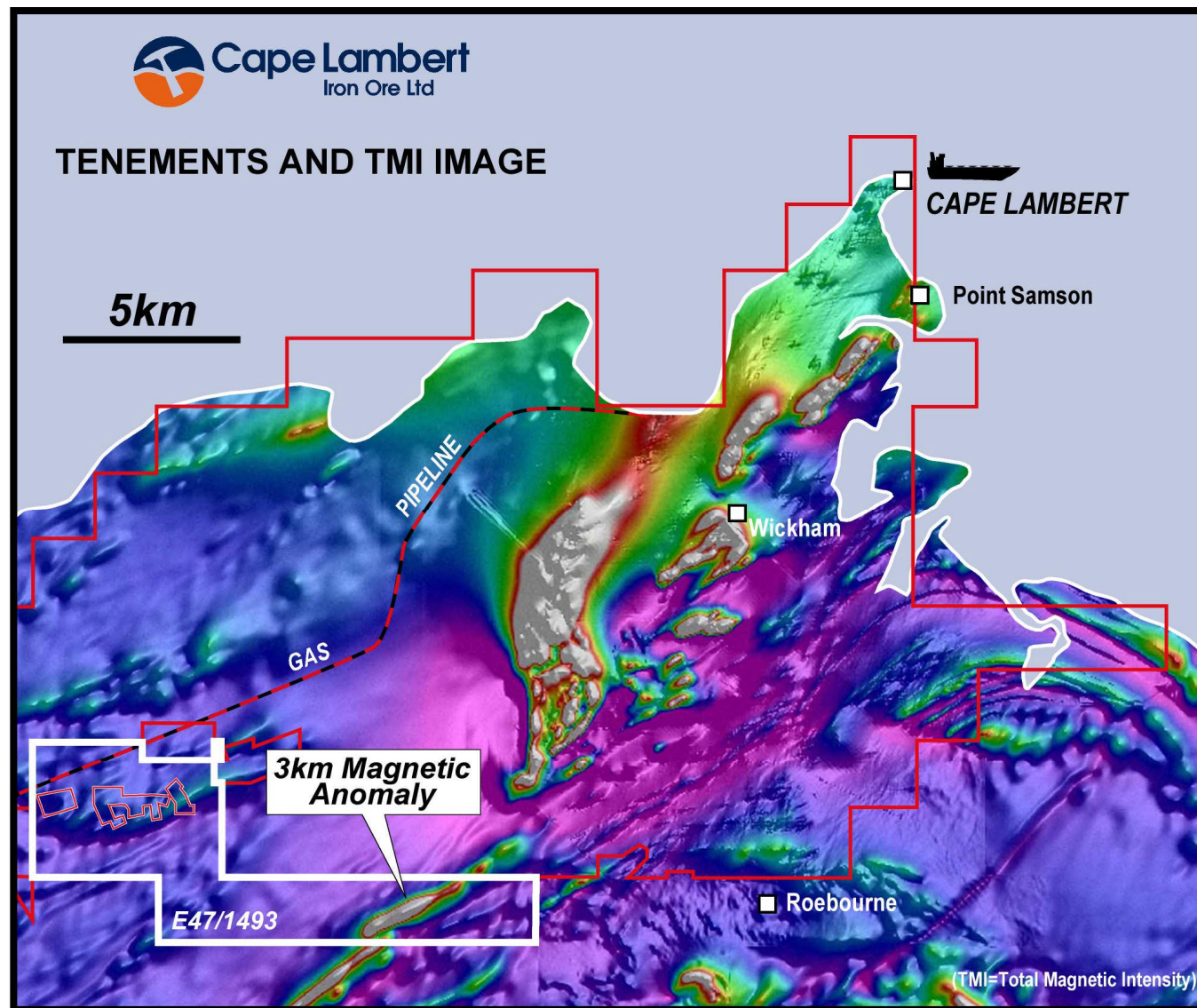


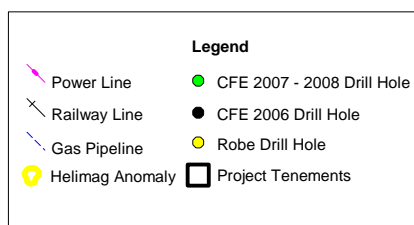
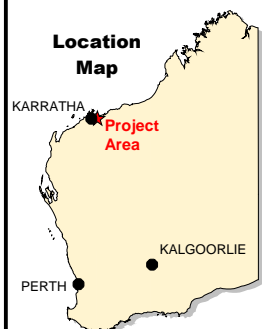
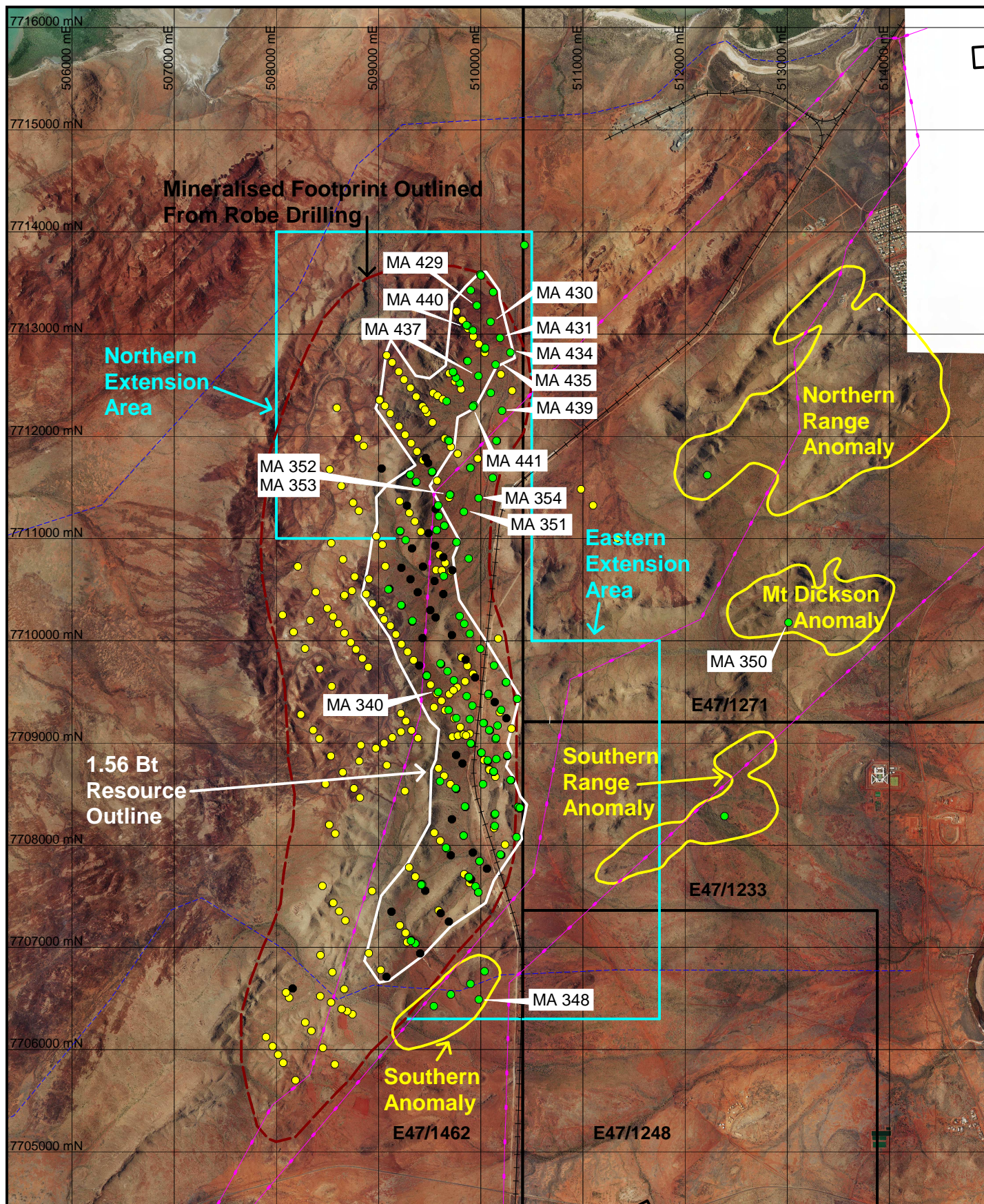
Figure 1: Location and Tenements





**Figure 2: Retained Tenement and Untested Magnetic Anomaly**





**Figure 3**  
**Significant Intercept**  
**Drill Hole Locations**

Author:	Date: August 2007
Drawn:	Revised: April 2008
Dwg No.: CLIO 015 rev	Report No.:
Datum: GDA94	Scale: 1:50 000



# 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

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2008

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		Current quarter \$A'000	Year to date (9 months) \$A'000
1.1	Receipts from product sales and related debtors		
1.2	Payments for		
	(a) exploration and evaluation	(3,523)	(14,752)
	(b) development		
	(c) production		
	(d) administration	(1,020)	(2,437)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	53	257
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other : Non-refundable deposit – Ding transaction	-	750
	Other : Non-refundable deposit – Cape Lambert		-
	Iron Ore project sale	5,000	5,000
	Other	5	210
<b>Net Operating Cash Flows</b>		515	(10,972)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a)prospects		
	(b)equity investments	-	(70)
	(c) other fixed assets	(21)	(39)
1.9	Proceeds from sale of:		
	(a)prospects		
	(b)equity investments	-	1,515
	(c)other fixed assets	-	-
1.10	Loans to other entities		
1.11	Loans repaid by other entities	1,851	3,854
1.12	Other – Performance Bonds		
1	<b>Net investing cash flows</b>	1,830	5,260
1.13	Total operating and investing cash flows (carried forward)	2,345	(5,712)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	2,345	(5,712)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	3,745	12,552
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>	3,745	12,552
	<b>Net (decrease) in cash held</b>	6,090	6,840
1.20	Cash at beginning of quarter/year to date	2,667	1,917
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	8,757	8,757

**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	182
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	1,200
4.2	Development	-
<b>Total</b>		<b>1,200</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	8,757	2,667
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		8,757	2,667

### 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.*

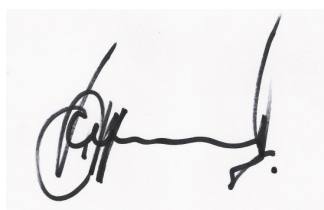
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	<b>Preference securities</b> <i>(description)</i>				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	<b>+Ordinary securities</b>	289,800,287	289,800,287		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	8,165,395	8,165,395		
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>	550,000 500,000 122,789,939 50,000,000 28,000,000 3,300,000 3,300,000 6,650,000	- - 122,789,939 - - - - -	<i>Exercise price</i> 42.7 cents 36.7 cents 27.7 cents 32.7 cents 37.7 cents 90.0 cents \$1.40 49.0 cents	<i>Expiry date</i> 22 October 2008 9 February 2009 31 October 2008 31 October 2009 31 October 2010 30 June 2008 30 June 2009 30 June 2008
7.8	Issued during quarter				
7.9	Exercised during quarter	746,500 543,895 925,000 5,950,000		27.7 cents 27.7 cents 27.7 cents 27.7 cents	31 October 2008 31 October 2008 31 October 2008 31 October 2008
7.10	Expired during quarter	5,985,825		40.0 cents	31 December 2007
7.11	<b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> (totals only)		
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## 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: ..... Date: 15 April 2008  
(Director/Company secretary)

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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+ See chapter 19 for defined terms.