21 May 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

FINAL DRILL RESULTS RECEIVED AT CAPE LAMBERT

HIGHLIGHTS

- Positive Davis Tube Recovery ("DTR") results received from the last holes of the infill phase of the drill program;
- 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 ≤5% (SiO_2 + Al_2O_3));
- Significant intercepts include 104m (from 92m) at an average DTR recovery of 24.4% mass to concentrate with a concentrate grade of 68.3% Fe and 4.7% silica from reverse circulation ("RC") drill hole MA 438.

BACKGROUND

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[1] compliant magnetite iron ore resource[2], is at feasibility stage and is subject to an offer for purchase by China Metallurgical Group Corporation ("MCC")[3].

The objective of the drilling program (which commenced in the June 2007 quarter and was completed in the March 2008 quarter) was to further increase the size and confidence level of the resource to underpin the development of a standalone, open pit mining operation capable of producing 15Mtpa of magnetite concentrate.

DRILL RESULTS

Final drill results for this program have now been received. Significant drill results are summarised in Table 1, and 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 ≤5% (SiO_2 + Al_2O_3)).

Drill hole MA 438 is located within the Northern Extension Area (refer Figure 2) and returned a 104m intercept at an average DTR recovery of 24.4% mass to concentrate with a concentrate grade of 68.3% Fe and 4.7% silica.

[1]The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves as may be amended from time to time.
[2]Refer ASX and AIM release dated 30 January 2008 for full details of the mineral resource including classification and competent persons attribute.
[3]Refer ASX and AIM release dated 26 February 2008 and subsequent announcements for full details.

Earlier reported RC drill holes MA 429 (1km north of MA 438), MA 440 (500m north of MA 438) and MA 441 (500m south of MA 438) also returned broad DTR intervals (50-100m) with high Fe (68-69%), and low silica (3.5-5%), concentrate grades (refer Table 1 and Figure 2). The results from these holes also show the mineralisation is becoming shallower along strike to the north.

The Northern Extension Area typically produces a higher Fe and lower silica DTR concentrate, which is ideal for blending with the slightly lower Fe and higher silica DTR concentrate produced from the central and southern portions of the 1.56 billion tonne resource (refer Figure 2).

EXPLORATION LICENSE APPLICATION 47/1493

Additional geophysical modeling has been completed on the 3km long magnetic anomaly situated on ELA 47/1493, which is located to the south of the 1.56 billion tonne resource and is excluded from the tenement package being acquired by MCC (refer Figure 1). The modeling is being used to define the optimum drill collar locations to test the anomaly.

The Native Title advertising period, the final step before the tenement is granted, will end on 18 August 2008 and the tenement is expected to be granted soon after enabling drilling to commence.

MCC SALE UPDATE

The Foreign Investment Review Board is scheduled to complete its determination on or before 28 May 2008. Further, the Company, officers from MCC and their respective legal advisors are currently working on finalising the Sale Agreement.

Yours faithfully
Cape Lambert Iron Ore Limited

Ian Burston
Executive Chairman

FOR MORE INFORMATION PLEASE CONTACT:

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Table 1: Significant Davis Tube Recovery Results

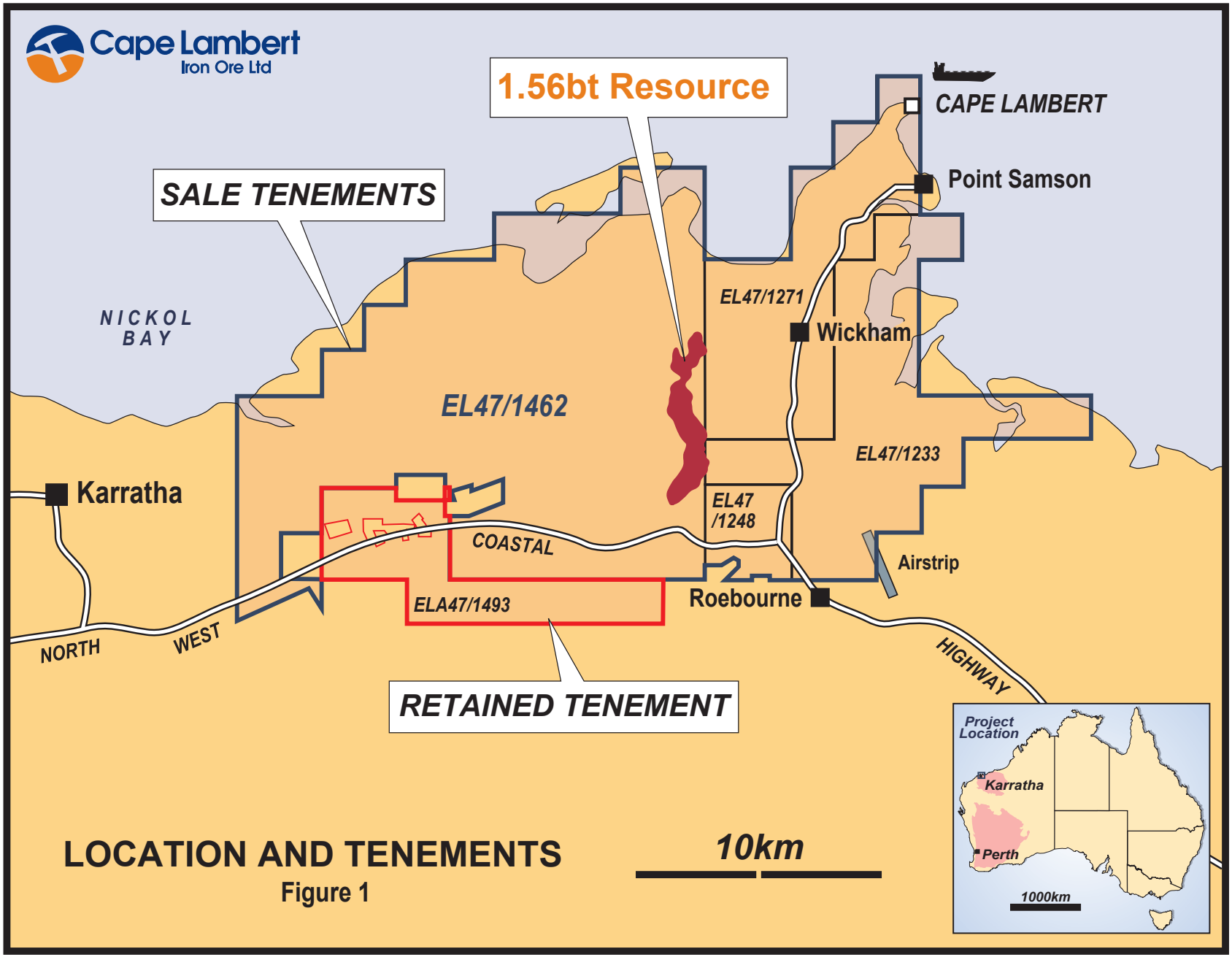
Hole ID	LOCATION		SAMPLE			HEAD RESULT					DTR RESULT					
	Easting	Northing	from	to	interval	Fe	SiO_2	Al_2O_3	P	S	Mass Recovery	Fe	SiO_2	Al_2O_3	P	S
	(MGA94)	(MGA94)	(m)	(m)	(m)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
MA316	510293	7708637	187	219	32	31.97	39.27	1.74	0.03	0.09	30.63	64.91	6.58	0.42	0.01	0.14
MA357D	510099	7712425	284	372	88	31.3	38.39	1.76	0.03	0.14	27.45	66.05	5.27	0.57	0.01	0.05
MA361	509691	7711956	208	312	104	30.9	40.7	2.12	0.02	0.14	26.43	68.92	3.86	0.38	0.01	0.02
MA362	509867	7712738	92	108	16	31.55	43.5	0.79	0.02	0.05	20.53	68.63	4.71	0.14	0.01	0.01
MA438	509871	7712736	92	196	104	30.11	42.29	1.99	0.02	0.14	24.43	68.32	4.69	0.32	0.01	0.03
MA444D	510117	7711593	392	440	48	32.02	38.64	2.09	0.03	0.15	32.25	65.08	6.25	0.73	0.01	0.04
DTR results released on 15 April 2008																
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
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

Notes:

- A "*D*" suffix on the Hole ID indicates the interval is from an NQ diamond tail extending an earlier RC hole. Otherwise all holes are RC holes.
- 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_2 concentrate grade top-cut and 15% mass recovery to concentrate.

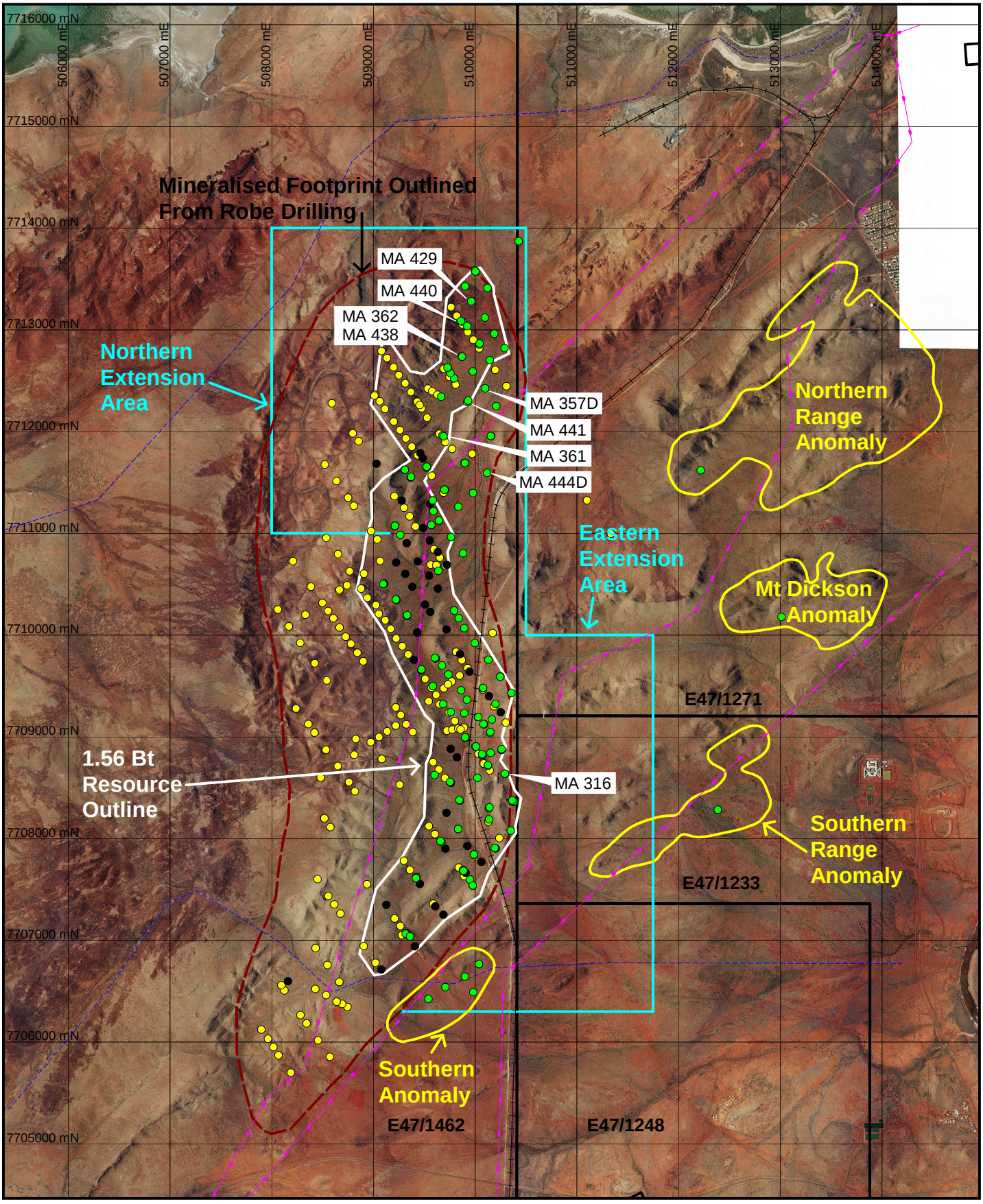
Competent Persons Attribute:

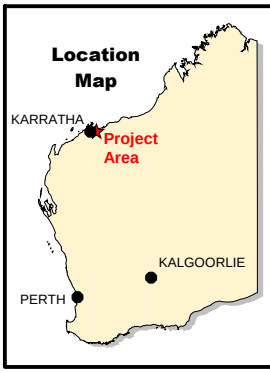
The DTR information in this report is based on information compiled by GV Ariti who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Ariti has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which 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.



LOCATION AND TENEMENTS

Figure 1





1 0 1 2

Kilometers

Legend

- Power Line
- Railway Line
- Gas Pipeline
- Helimag Anomaly
- CFE 2007 - 2008 Drill Hole
- CFE 2006 Drill Hole
- Robe Drill Hole
- Project Tenements

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Cape Lambert Iron Ore Ltd

Figure 2
Significant Intercept Drill Hole Locations

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