

4 July 2008

The Company Announcements Office
ASX Limited

Via E Lodgement

**QUARTERLY ACTIVITIES AND CASHFLOW REPORT
FOR PERIOD ENDING 30 JUNE 2008**

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Ian Burston
Executive Chairman

REPORT FOR THE QUARTER ENDING 30 JUNE 2008

COMPANY HIGHLIGHTS

Corporate

- A General Meeting of Shareholders to consider the sale of the Cape Lambert Iron Ore project is scheduled for 28 July 2008,
- A Notice of Meeting has been mailed to Shareholders and can be downloaded from the Company's website at www.capelam.com.au,
- Subject to Shareholders approving the sale of the Project and the receipt of Chinese government approvals, the first tranche of AUD\$240 million is to be paid by MCC on 31 July 2008 with payment of the second tranche of AUD\$80 million due on 15 September 2008,
- At the end of the quarter, the Company had cash of AUD\$16.2 million,
- During the quarter, 3.3 million options exercisable at AUD\$0.90 each on or before 30 June 2008 lapsed without being exercised,
- On 28 April 2008, the Company appointed Grant Thornton UK LLP as Nominated Adviser pursuant to its admission to London's AIM market.

Cape Lambert South Project

- The 3km long, untested magnetic anomaly located on ELA 47/1493, which is excluded from the MCC sale, has been named the Cape Lambert South Project,
- Preliminary enquiries have been issued to drilling contractors to secure a multi-purpose drill rig to enable drilling to commence at Cape Lambert South in September/October 2008.

Tenement Applications

- Consistent with the Board's strategy of acquiring and exploiting iron ore assets, the Company has applied for three tenements located approximately 10km south of Newman in Western Australia, which are prospective for direct shipping iron ore,
- The Company's applications have been placed in a ballot with other companies, with the ballot to be determined in the coming months.

Cape Lambert Iron Ore Project

- Final Davis Tube Recovery results from the 2007/2008 drilling program were received during the quarter, and further support that magnetite mineralisation at Cape Lambert is capable of being concentrated to a product suitable for the manufacture of blast furnace feed pellets,
- Work programs and expenditure at the Project were stopped during the quarter ahead of the Sale to MCC.



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 coastal Pilbara region of Western Australia (refer Figure 1). The Project currently has a 1.56 billion tonne JORC¹ compliant magnetite iron ore resource² and is subject to a AUD\$400 million sale to MCC Mining (Western Australia) Pty Ltd, a wholly owned subsidiary of Chinese conglomerate, China Metallurgical Group Corporation (hereafter together referred to as "MCC").

Sale of Cape Lambert Iron Ore Project

On 26 February 2008, the Company announced that a Memorandum of Understanding ("MoU") had been signed with MCC for the sale of the Cape Lambert Iron Ore project for a total consideration of AUD\$400 million ("Sale").

The consideration is payable in three cash tranches; AUD\$240 million (inclusive of the AUD\$10 million deposit) or 60% at Settlement (to take place fifty (50) days after the date of the formal Sale Agreement), AUD\$80 million or 20% forty five (45) days after Settlement and AUD\$80 million or 20% on the grant of a mining lease and related construction approvals.

The Sale of the Project is subject to a number of conditions including successful completion of due diligence by MCC, and Cape Lambert shareholder, Foreign Investment Review Board ("FIRB") and Chinese government approvals. A number of these conditions were satisfied during the quarter.

On 29 April 2008, the Company announced MCC's successful completion of due diligence and on 29 May 2008 that MCC had been notified that FIRB had no objection to its proposed acquisition of the Project. A formal Sale Agreement was subsequently signed in Beijing on the evening of 11 June 2008.

On 27 June 2008, the Company distributed the Notice of Meeting of Shareholders to be held on 28 July 2008 to obtain approval for the Sale. MCC is also progressing the required Chinese government approvals. These final two conditions are required to be satisfied before Settlement can occur.

MCC is a substantial, vertically integrated conglomerate engaged in Engineering, Procurement and Construction (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.

The Sale excludes Exploration License Application 47/1493, which will be explored separately by Cape Lambert (refer Cape Lambert South Project below).

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.



Post Sale Completion

On completion of the Sale, the Company intends to continue with exploration programs on its remaining tenements and also to maintain its strategy of identifying, developing and exploiting iron ore, and associated, assets. The Board is investigating additional tenements and projects that could be targeted by the Company to increase its holdings both in Australia and overseas.

CAPE LAMBERT SOUTH PROJECT

Additional geophysical modelling has been completed on the 3km long, untested magnetic anomaly located on ELA 47/1493 (hereafter referred to as the **Cape Lambert South Project**). This untested, magnetic anomaly, which lies within the highly prospective Cleaverville geological formation, is the southern strike extension of the 1.56 billion tonne Cape Lambert resource, and is excluded from the tenement package being acquired by MCC (refer Figures 1 and 2).

Iron ore hosted in Banded Iron Formation ("BIF") units of the Cleaverville Formation, analogous to the Cape Lambert deposit, has been mapped at Cape Lambert South. A 3D geophysical model based on airborne magnetic and reconnaissance geological mapping data has been developed to estimate potential volumes and tonnages and to design exploration drilling. A target size of 125 to 175 million tonnes of magnetite mineralisation was estimated to an assumed depth of 200m below surface based on modeling of the high intensity aeromagnetic anomaly and outcropping BIF units. However, it should be noted that this potential target quantity is conceptual in nature and that there has been insufficient drilling to define a Mineral Resource and that it is uncertain if further exploration will result in the definition of a Mineral Resource.

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.

The Company has issued preliminary enquiries to drilling contractors to secure a multi-purpose drill rig to enable drilling to commence in September/October 2008. The objective of the drilling program is to define an inferred resource.

The Sale of the Project to MCC has enabled a relationship to be developed with MCC, which could reduce the barriers to exploiting iron ore occurrences that may be delineated at Cape Lambert South through access to infrastructure.

TENEMENT APPLICATIONS

During the quarter, the Company made application for three tenements located approximately 10km south of Newman, Western Australia (refer Figure 3). The tenements are ELA 52/2200, ELA 52/2201 and ELA 52/2202, have an aggregate area of approximately 174km² and are prospective for direct shipping iron ore.

The Company has been advised by the Department of Industry and Resources that its tenement applications have been included in a ballot with several other companies, and that the outcome of the ballot will be known in the coming months.

CAPE LAMBERT IRON ORE PROJECT

During the quarter final Davis Tube Recovery ("DTR") results were received for the 2007/2008 drilling program. Significant DTR results from the program were reported to the market on 21 May 2008 but are re-summarised in Table 1 for completeness.

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 $\leq 5\%$ $[\text{SiO}_2 + \text{Al}_2\text{O}_3]$).

Work programs and expenditure at the Project were stopped during the quarter ahead of the Sale to MCC.

Yours faithfully
Cape Lambert Iron Ore limited

Ian Burston
Executive Chairman

FOR MORE INFORMATION PLEASE CONTACT:

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Website:

www.capelam.com.au



Table 1: Significant Davis Tube Recovery Results

Hole ID	LOCATION		SAMPLE			HEAD RESULT					DTR RESULT					
	Easting	Northing	from	to	interval	Fe	SiO ₂	Al ₂ O ₃	P	S	Mass Recovery	Fe	SiO ₂	Al ₂ O 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
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% SiO₂ concentrate grade top-cut and 15% mass recovery to concentrate.

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 K Bischoff who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Bischoff 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 Bischoff consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

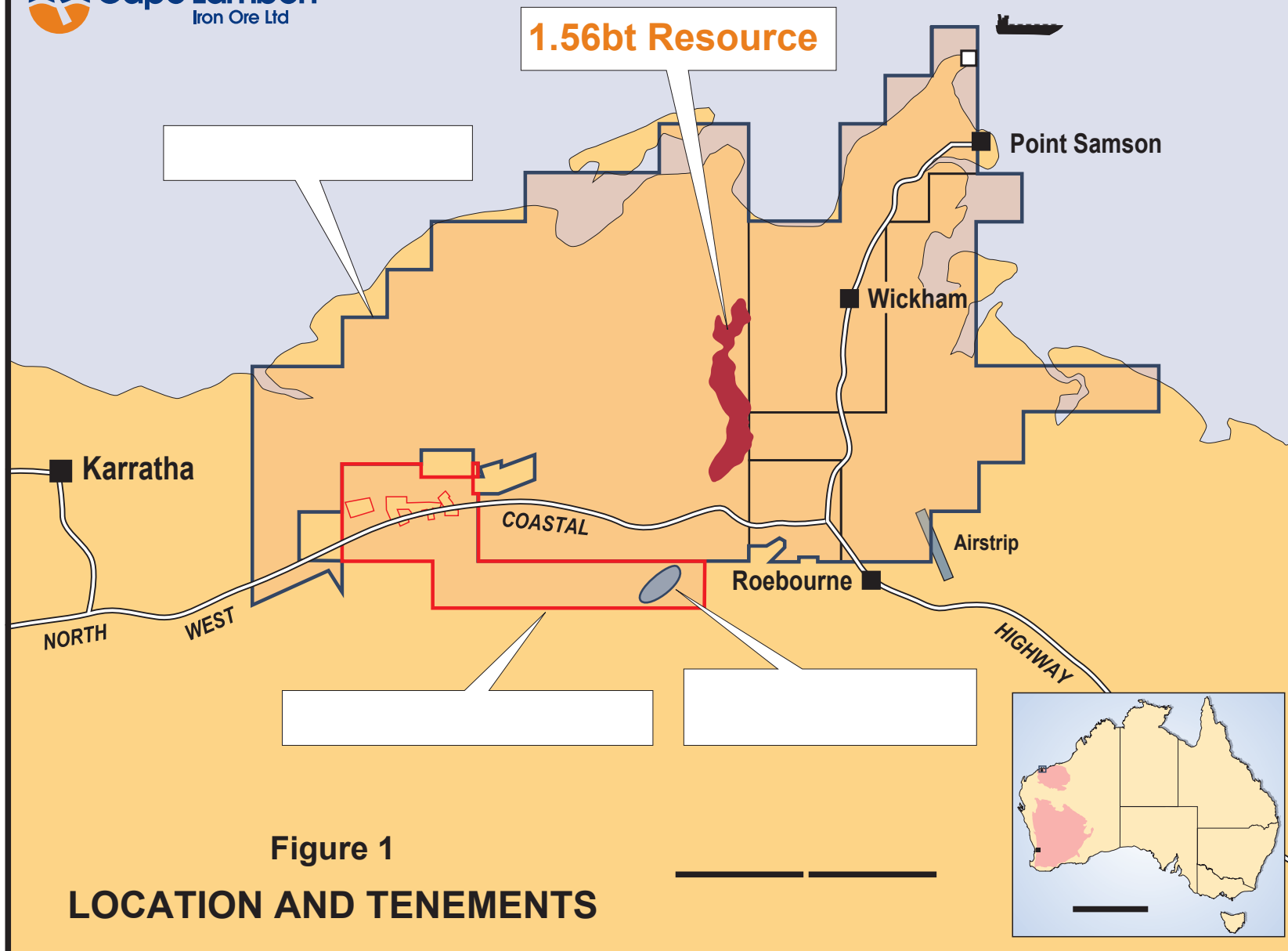
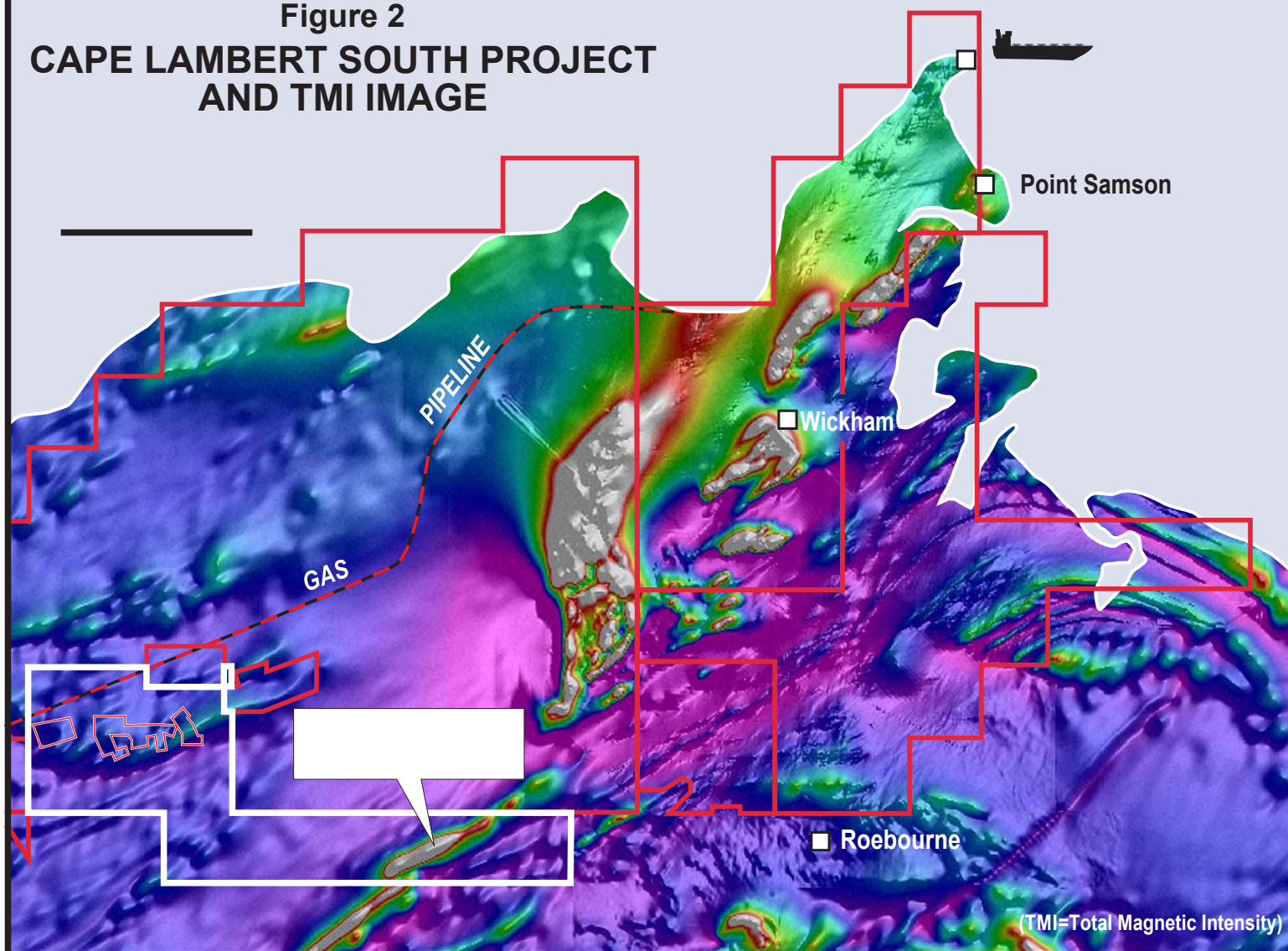
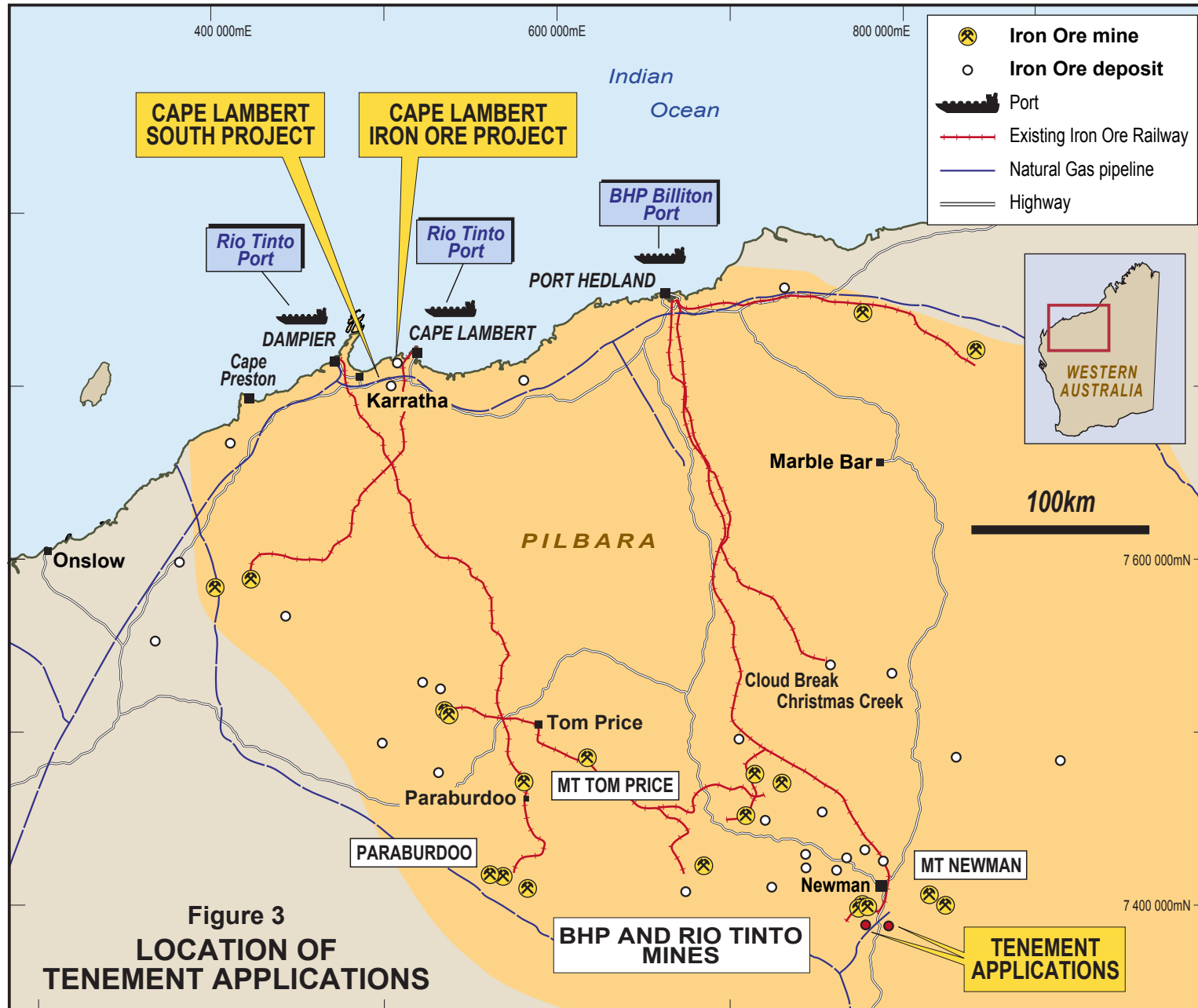


Figure 2
**CAPE LAMBERT SOUTH PROJECT
AND TMI IMAGE**





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")

30 June 2008

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(1,639)	(16,391)
	(b) development		
	(c) production		
	(d) administration	(449)	(2,887)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	433	691
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
	Other	-	210
Net Operating Cash Flows		(1,655)	(12,627)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a)prospects	-	(70)
	(b)equity investments	-	(39)
	(c) other fixed assets		
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	-	3,854
1.12	Other – Performance Bonds		
1	Net investing cash flows	-	5,260
1.13	Total operating and investing cash flows (carried forward)	(1,655)	(7,367)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(1,655)	(7,367)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	9,059	21,611
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		
	Net financing cash flows	9,059	21,611
	Net (decrease) in cash held	7,404	14,244
1.20	Cash at beginning of quarter/year to date	8,757	1,917
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	16,161	16,161

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	128
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	1,000
4.2	Development	-
Total		1,000

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	16,161	8,757
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	16,161	8,757

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 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	322,553,035	322,553,035		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	32,752,748	32,752,748		
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	500,000 97,237,191 50,000,000 28,000,000 3,300,000 3,300,000	- 97,237,191 - - - -	<i>Exercise price</i> 42.7 cents 27.7 cents 32.7 cents 37.7 cents 90.0 cents \$1.40	<i>Expiry date</i> 22 October 2008 31 October 2008 31 October 2009 31 October 2010 30 June 2008 30 June 2009
7.8 Issued during quarter				
7.9 Exercised during quarter	50,000 500,000 25,552,748 6,650,000	- - - -	42.7 cents 36.7 cents 27.7 cents 49.0 cents	22 October 2008 9 February 2009 31 October 2008 30 June 2008
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Unsecured notes (totals only)				

+ See chapter 19 for defined terms.

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:
(Director/Company secretary)

Date: 4 July 2008

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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