

7 October 2008

The Company Announcements Office  
ASX Limited

**Via E Lodgement**

**QUARTERLY REPORT FOR PERIOD ENDING 30 SEPTEMBER 2008 AND APPENDIX  
5B**

Yours faithfully  
CAPE LAMBERT IRON ORE LIMITED

Tony Sage  
**Executive Chairman**

## **COMPANY HIGHLIGHTS**

### **Corporate**

- During the quarter, the Company successfully completed the AUD\$400 million sale of its namesake magnetite project to MCC Mining (Western Australia) Pty Ltd, a wholly owned subsidiary of Chinese conglomerate China Metallurgical Group Corporation ("MCC"). Settlement occurred on 6 August 2008, with Cape Lambert receiving the first cash payment of AUD\$240 million. The second cash payment of AUD\$80 million was received on 15 September 2008. The final cash payment of AUD\$80 million is to be paid by MCC on the grant of a mining lease and related construction approvals in respect of the project.
- Further to the successful completion of the sale and as approved by Shareholders at a general meeting on 28 July 2008, on 2 October 2008 the Company announced the timetable applicable for a AUD\$100 million combined return of capital and unfranked dividend. The ex return of capital and ex dividend date has been set at 14 October 2008 and the Record Date is 20 October 2008. The Payment Date is 24 October 2008.
- At the end of the quarter, Cape Lambert had cash reserves of approximately AUD\$333 million.
- The Company continues to evaluate investment opportunities in early definition iron ore and related steel making assets. The current turmoil being experienced in financial markets has resulted in an extensive number of opportunities being presented to the Company.
- On 16 September 2008, Cape Lambert received a copy of a notice of a general meeting of Shareholders to be convened by Power United Limited ("Power"). Power has a shareholding of approximately 10.3% of the Company. The general meeting of Shareholders is to be held on 15 October 2008 and relates to proposed changes to the board of Cape Lambert. The Company recommends that Shareholders carefully consider the resolutions being proposed by Power.

### **Cape Lambert South Project (100% interest, Pilbara, Western Australia)**

- On 21 August 2008, exploration licence application EL47/1493 was granted by the Department of Industry and Resources ("DoIR"), thereby enabling (once Native title and regulatory approval have been secured) exploration work to commence at Cape Lambert South.
  - In respect of regulatory approval, a Program of Work ("PoW") for an initial 5,000m reverse circulation drilling program was submitted to DoIR in September, with approval expected in early to mid October.
  - A Native title heritage clearance of the proposed drill collars was completed on 2 October 2008.
  - Drilling contractor Grimwood Davies Pty Ltd is scheduled to mobilise to Cape Lambert South and, subject to DoIR's prior approval of the PoW, commence drilling in late October.
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**Marampa Iron Ore Project (30% interest and Manager, Sierra Leone, West Africa)**

- During the quarter, Cape Lambert acquired a 30% interest in Marampa Iron Ore Limited, the holder of the Marampa iron ore project. Marampa is a brownfields exploration project.
  - Pursuant to the terms of the acquisition, the Company issued 44 million shares and committed to sole funding the first US\$25 million toward a definitive feasibility study in respect of this project. After initial expenditure of US\$5 million, the Company has the right to withdraw without paying any further funds towards the project. In addition, the Company has been granted an exclusive option to acquire the remaining 70% of Marampa Iron Ore Limited.
  - Cape Lambert is the manager of the project. Work at Marampa over the next 12-18 months will focus on drill testing defined geophysical gravity targets, extending the geophysical survey to define additional drill targets and metallurgical beneficiation test work, engineering and environmental studies to enable the scope, capital cost and economics of Marampa to be defined.
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Cape Lambert Iron Ore Limited ("Cape Lambert" or the "Company") (ASX: CFE, AIM: CLIO) is an Australian domiciled, cashed-up iron ore exploration and development company, with interests in two early definition iron assets located in the Pilbara region of Western Australia and Sierra Leone, West Africa.

The Company's objective is to use its cash reserves to invest in a portfolio of early definition iron ore and related steel making assets and to add value to those assets to position them for either development and/or sale.

### **Sale of Cape Lambert magnetite project**

During the quarter, the Company successfully completed the AUD\$400 million sale of its namesake magnetite project (hereafter referred to as "MCC's Magnetite Project") to MCC Mining (Western Australia) Pty Ltd, a wholly owned subsidiary of Chinese conglomerate, China Metallurgical Group Corporation ("MCC").

Settlement occurred on 6 August 2008 ("Settlement"), with Cape Lambert receiving the first cash payment of AUD\$240 million. The second cash payment of AUD\$80 million was received on 15 September 2008. Consequently, the Company has now received 80% of the AUD\$400 million sale consideration.

The final payment of AUD\$80 million is to be paid by MCC on the grant of a mining lease and related construction approvals in respect of MCC's Magnetite Project.

At Settlement, all documents, information and files relating to MCC's Magnetite Project were handed over to MCC and from Settlement, MCC commenced managing and operating the project.

Cape Lambert is continuing to work closely with MCC, providing assistance and guidance in respect to permitting and mining approvals to enable the grant of a mining lease and related construction approvals in the shortest possible time frame.

### **Return of Capital and Unfranked Dividend**

Further to the successful completion of the sale and as approved by Shareholders at a general meeting on 28 July 2008, on 2 October 2008 the Company announced the timetable applicable for a AUD\$100 million combined return of capital and unfranked dividend. The return of capital and unfranked dividend will comprise 31.25% and 68.75% respectively of the AUD\$100 million.

The ex return of capital and ex dividend date has been set at 14 October 2008 and the Record Date is 20 October 2008. The Payment Date is 24 October 2008. Option holders who wish to participate in the return of capital and unfranked dividend will need to have converted their options to fully paid shares in the Company by 14 October 2008.

The Company via its share registry, Computershare Investor Services Pty Limited, has dispatched to registered Shareholders documentation requesting tax file number disclosure. The Company requests that the tax file disclosure documentation is completed and returned to Computershare as soon as practicable.

### **Cape Lambert South Project (100% interest, Pilbara, Western Australia)**

On 21 August 2008, exploration licence application EL47/1493 was granted by the Department of Industry and Resources ("DoIR"). EL47/1493, which has an area of approximately 35km<sup>2</sup>, is immediately south of, and the extension to, MCC's Magnetite Project (refer Figure 1) and has an identified 3km long, untested, magnetic anomaly located on the eastern margin.

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A Program of Work ("PoW") for an initial 5,000m reverse circulation ("RC") drilling program was submitted to DoIR in early September and is expected to be approved in early to mid October.

The initial drilling program has been designed to confirm the presence and extent of magnetite iron mineralisation. A second infill program, which is subject to the success of the initial program, is planned for March/April 2009, with the objective of providing sufficient geological information and confidence to enable completion of a mineral resource estimate.

A Native title heritage clearance of the proposed drill collars was completed on 2 October 2008.

Drilling contractor, Grimwood Davies Pty Ltd, is scheduled to mobilise an RC drill rig to site late October and, subject to DoIR's prior approval of the PoW, commence drilling thereafter.

### **Marampa Iron Ore Project (30% interest and Manager, Sierra Leone, West Africa)**

During the quarter, Cape Lambert acquired a 30% interest in Marampa Iron Ore Limited, the holder of the Marampa iron ore project ("Marampa") located near the town of Lunsar in Sierra Leone, West Africa (refer Figure 2).

Pursuant to the terms of the acquisition, the Company issued 44 million shares and committed to sole funding the first US\$25 million toward a definitive feasibility study in respect of Marampa. After initial expenditure of US\$5 million, the Company has the right to withdraw without paying any further funds towards Marampa. In addition, the Company has been granted an exclusive option to acquire the remaining 70% of Marampa Iron Ore Limited for US\$200 million less the value of the shares issued by the Company at settlement (being US\$13,170,266.51) and US\$25 million. The Option may be exercised by Cape Lambert up to the earlier of the date falling 3 months immediately after the finalisation of a definitive feasibility study; and the date 20 months from the date of completion of the transaction.

Cape Lambert is the Manager of Marampa.

Marampa is a brownfields exploration project located on Exploration Licence EXPL09/06, which covers an area of approximately 319km<sup>2</sup>. EXPL09/06 completely encloses, but excludes, the former Development Company of Sierra Leone ("DELCO") mining operation. DELCO mined and exported iron ore from the Marampa area from 1933 through to its closure in 1975, due to depressed commodity prices.

Iron mineralisation at Marampa consists of specular hematite schists, which feature variable iron grades in the range of 25% to 35%. Historically, the hematite schists have been concentrated to saleable Fe concentrates using crushing, coarse grinding and gravity separation.

Marampa is connected to an existing deep water port, stockpile area and shiploader at Pepel via an 84km narrow gauge railway.

Several tailings dams are located on EXPL09/06, which originate from the former DELCO mining operations. An opportunity exists to retreat these tailings as part of any future mining operation.

Cape Lambert intends to follow a three pillared strategy for Marampa over the next 12-18 months comprising;

- Air core drilling of the tailings and drill testing the defined geophysical gravity targets, with the objective of delineating a JORC compliant mineral resource;

- The extension of gravity surveys to cover prospective areas within the 20km long regional structure. Earlier gravity surveys were limited in extent, and defined by the initial interpretation of a magnetic survey; and
- Completing metallurgical beneficiation test work, engineering and environmental studies to enable the scope, capital cost and economics of Marampa to be defined.

Yours faithfully  
Cape Lambert Iron Ore Limited

Tony Sage  
**Executive Chairman**

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**Competent Persons Attributes:**

*The Metallurgical 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.*

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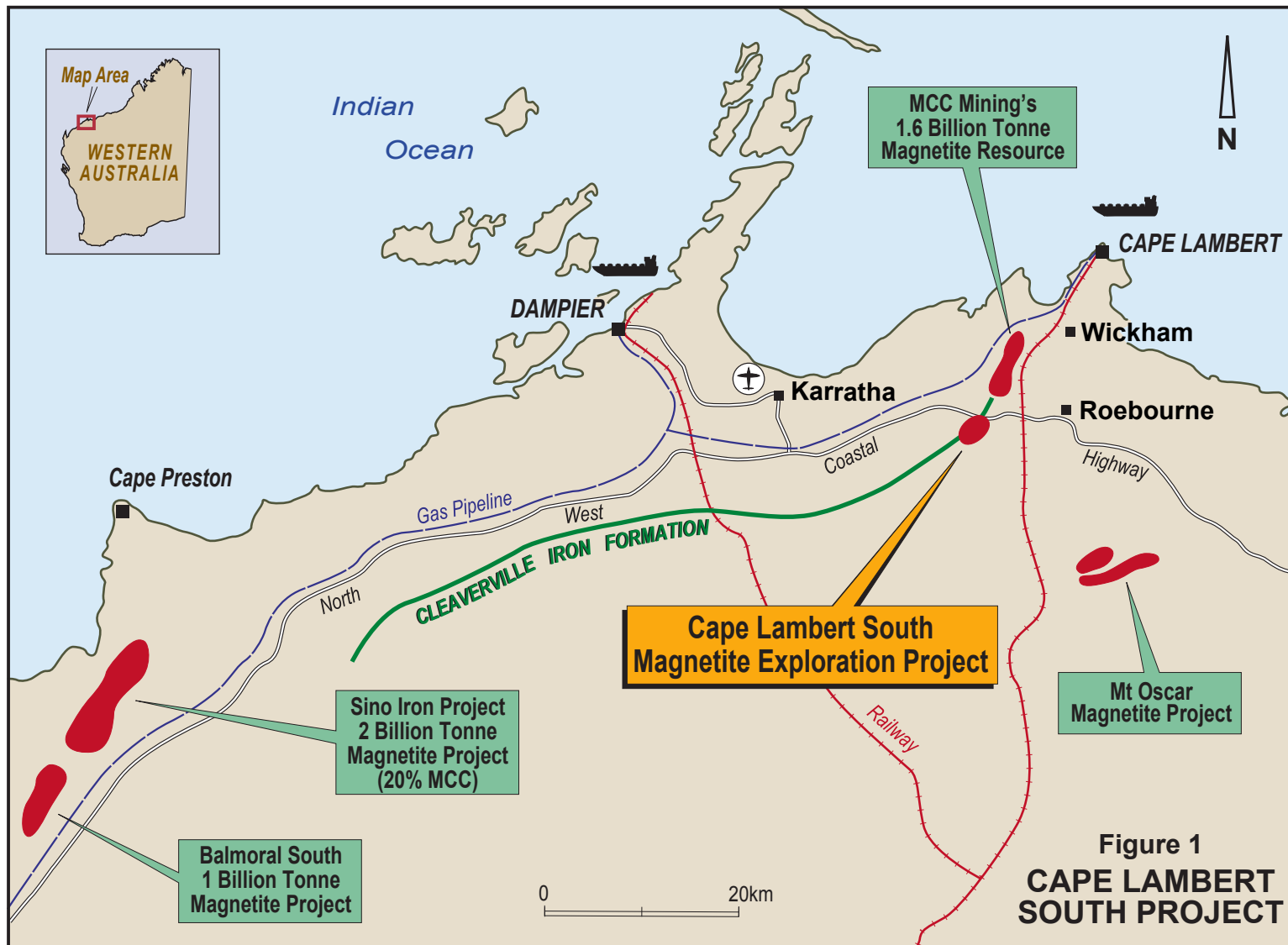
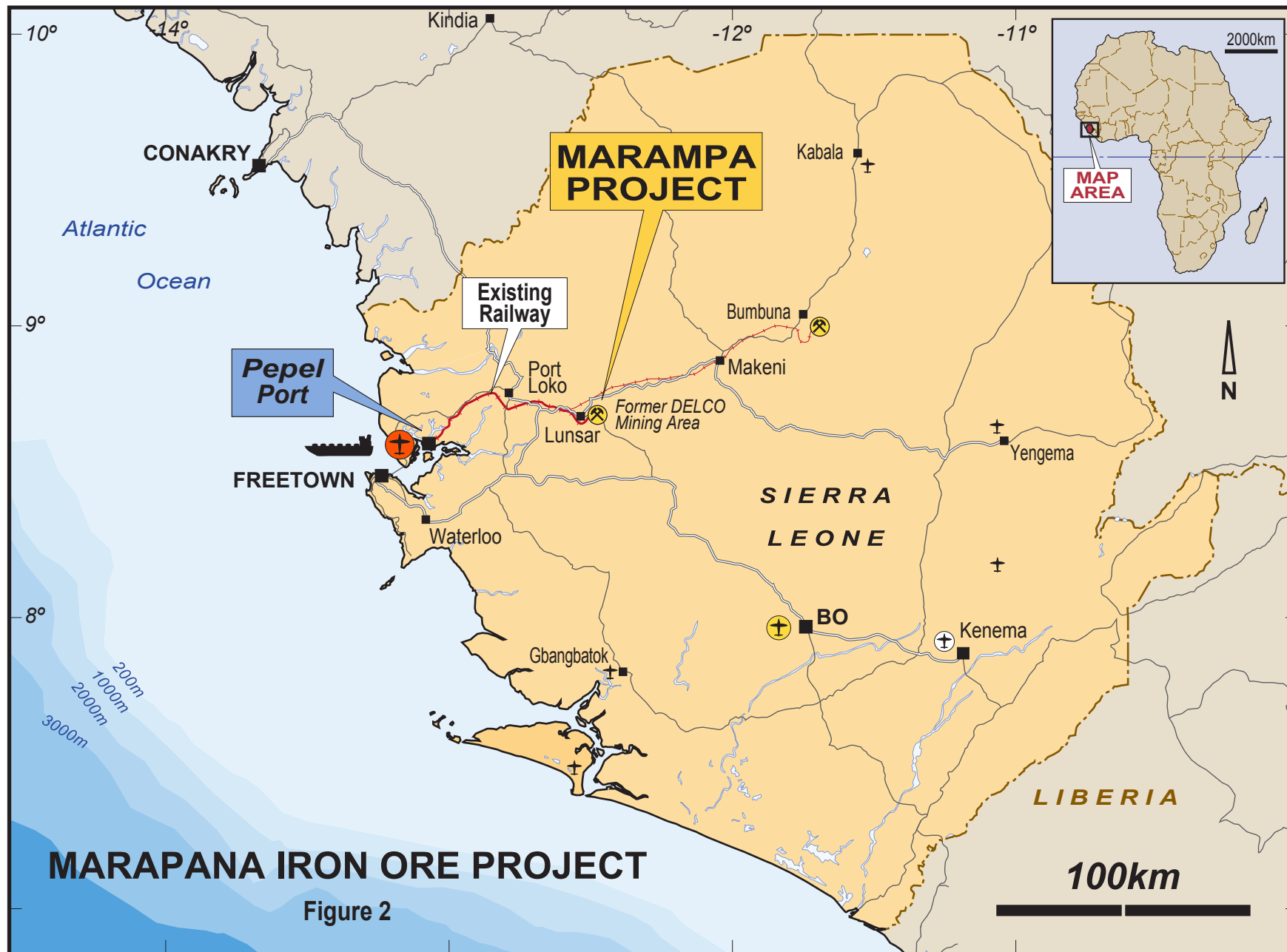


Figure 1  
**CAPE LAMBERT  
SOUTH PROJECT**





# 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 September 2008

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(371)	(371)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(3,218)	(3,218)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	1,746	1,746
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other : Cape Lambert Iron Ore project sale	315,000	315,000
	Other	(30,400)	(30,400)
	<b>Net Operating Cash Flows</b>	<b>282,757</b>	<b>282,757</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a)prospects	-	-
	(b)equity investments	(470)	(470)
	(c) other fixed assets	(2)	(2)
1.9	Proceeds from sale of:		
	(a)prospects	-	-
	(b)equity investments	-	-
	(c)other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other – Convertible Notes	(750)	(750)
1	<b>Net investing cash flows</b>	<b>(1,222)</b>	<b>(1,222)</b>
1.13	Total operating and investing cash flows (carried forward)	<b>281,535</b>	<b>281,535</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	281,535	281,535
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	35,210	35,210
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>	35,210	35,210
	<b>Net (decrease) in cash held</b>	316,745	316,745
1.20	Cash at beginning of quarter/year to date	16,137	16,137
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	332,882	332,882

**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	1,762
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 and bonuses

**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

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

**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	5,000
4.2 Development	-
<b>Total</b>	<b>5,000</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	694	16,161
5.2 Deposits at call	332,188	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>332,882</b>	<b>16,161</b>

### 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	E47/1233	Reduced/Sold	100%	0%
	E47/1248	Reduced/Sold	100%	0%
	E47/1271	Reduced/Sold	100%	0%
	E47/1462	Reduced/Sold	100%	0%
6.2 Interests in mining tenements acquired or increased	E47/1493	Acquired	0%	100%

+ 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> (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	440,054,092	440,054,092		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	117,501,057	117,501,057		
7.5 <b>+Convertible debt securities</b> (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> (description and conversion factor)	100,000 30,136,134 28,000,000 3,300,000	- 30,136,134 - -	Exercise price 42.7 cents 27.7 cents 37.7 cents \$1.40	Expiry date 22 October 2008 31 October 2008 31 October 2010 30 June 2009
7.8 Issued during quarter	8,350,000	-	50.0 cents	30 June 2010
7.9 Exercised during quarter	400,000 67,101,057 50,000,000	- - -	42.7 cents 27.7 cents 32.7 cents	22 October 2008 31 October 2008 31 October 2009
7.10 Expired during quarter	3,300,000	-	90.0 cents	30 June 2008
7.11 <b>Debentures</b> (totals only)				
7.12 <b>Unsecured notes</b> (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: 7 October 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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