13 March 2009

The Company Announcements Office
ASX Limited

Via E Lodgement

Half Yearly Financial Report

Please find attached the Company's Financial Report for the half-year ended 31 December 2008.

Yours faithfully
CAPE LAMBERT IRON ORE LIMITED

Timothy Turner
Company Secretary

For more information please contact:

Cape Lambert Iron Ore Limited
Timothy Turner +61 8 9380 9555

Website www.capelam.com.au

CAPE LAMBERT IRON ORE LIMITED
ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 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 2008

COMPANY DIRECTORY

DIRECTORS

Antony WP Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

Peter Landau
(Non-Executive Director)

COMPANY SECRETARY

Timothy Turner

REGISTERED OFFICE

18 Oxford Close
LEEDERVILLE WA 6007
Telephone: (08) 9388 0744 Facsimile: (08) 9382 1411

AUDITORS

PricewaterhouseCoopers
QV1 Building
Levels 19 – 21, 250 St George's Terrace
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 Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE

DIRECTORS' REPORT (Continued)

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2008.

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 (Resigned 18 August 2008)
Antony Sage
Timothy Turner
Brian Maher
Peter Landau

REVIEW OF RESULTS AND OPERATIONS

RESULTS

The consolidated entity made an after tax profit for the half-year of $166,482,671 (2007: loss of $917,530).

OPERATIONS

During the half-year, the Company successfully completed;

- The sale of the Cape Lambert magnetite iron ore project with the receipt of $320 million (80% of the sale consideration);
- A $100 million return of capital and unfranked dividend distribution to shareholders;
- Execution of a conditional agreement for a 30% investment in the Marampa iron ore project; and
- The phase 1 drilling program at the Cape Lambert South project.

Sale of Cape Lambert Iron Ore Project ("Project")

On 26 February 2008, the Company signed a Memorandum of Understanding ("MoU") with Chinese conglomerate China Metallurgical Group Corporation ("MCC Mining") for the sale of the Project, for a total cash consideration of AUD$400 million. The sale incorporated all tenements comprising the Project, including key tenements E47/1462, E47/1233, E47/1248 and E47/1271. The sale consideration is to be paid in three tranches; AUD$240 million was paid at Settlement on 6 August 2008, AUD$80 million was paid on 15 September 2008. The final payment of AUD$80 million is to be paid if the buyer is able to obtain the grant of a mining lease and related construction approvals ("Approvals") in respect of the Project within 2 years of the date of the sale agreement, or such other longer period that MCC Mining and the Company agree - providing the Company has provided MCC with reasonable assistance in obtaining the Approvals. During the half-year, on 6 August 2008, the Company became liable for a commission of AUD$30,400,000 payable to an unrelated party upon settlement of the sale transaction. Effective 6 August 2008, MCC Mining commenced managing the Project.

Return of Capital and Unfranked Dividend

On 24 October 2008, the Directors recommended the payment of a dividend and capital distribution to shareholders of the Company to be made with funds from the sale of the Project to MCC Mining. The distribution was subsequently completed, with shareholders receiving $0.217 per share.

30% Investment in African Hematite Iron Ore Project

On 1 October 2008, the Company signed a conditional agreement to make a 30% investment in Marampa Iron Ore Limited ("MIOL"), a wholly owned subsidiary of African Minerals Limited, and owner of the Marampa iron ore project (Sierra Leone, West Africa). If the proposed transaction is completed in accordance with the terms of the conditional agreement, the Company will have issued 44,000,000 shares and invested US$25,000,000 in the project to fund a feasibility study as consideration. The Company has the right to withdraw from the investment after the initial expenditure of US$5 million, and if this were to occur retains a pro-rata ownership of the MIOL share capital. As at the date of this report, completion of the investment is still subject to technical evaluation of the project and the receipt of all necessary regulatory approvals.

Cape Lambert South Project

During the half-year, the Company completed an initial drilling program at Cape Lambert South, which is located in the coastal Pilbara region of Western Australia. The completed program comprised 14 reverse circulation ("RC") drill holes for a total advance of 4,107 metres and a single diamond hole (375m).

Within the central portion of the magnetic anomaly, magnetite banded-iron-formation, with down-hole intervals of between 35 and 73 metres, was logged in 4 RC holes and the diamond hole over a strike length of approximately 1.8km. Assay results and Davis Tube Recovery tests for these intervals and the other drill holes remain pending, as at the date of this report.

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.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2008.

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

Timothy Turner
Director

Dated this 13th day of March 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St George's Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

Auditor's Independence Declaration

As lead auditor for the review of Cape Lambert Iron Ore Limited for the half-year ended 31 December 2008, 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
13 March 2009

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

INTERIM FINANCIAL REPORT
For the Half Year Ended 31 December 2008

CONSOLIDATED INCOME STATEMENT

	Note	For the six months ended 31 December 2008 $	31 December 2007 $
Continuing Operations			
Revenue	2	**8,284,584**	379,972
Other income	3	**25,807**	1,240,395
Net gain on sale of tenements	4	**232,667,721**	-
Share based payments expense		**(1,647,483)**	(353,524)
Consulting expenses	13	**(3,331,637)**	(684,705)
Occupancy expenses		**(192,375)**	(181,524)
Compliance and regulatory expenses		**(236,669)**	(255,381)
Travel and accommodation		**(236,759)**	(185,192)
Dimunition in fair value of financial assets through profit & loss		**(1,656,690)**	(647,390)
Depreciation and amortisation expense		**(39,629)**	(42,293)
Other expenses		**(330,810)**	(187,888)
Profit/(Loss) from continuing operations before income tax		**233,306,060**	(917,530)
Income tax expense		**(66,823,389)**	-
Profit/(Loss) attributable to members of the parent entity		**166,482,671**	(917,530)
Basic profit/(loss) per share (cents per share)		36.42	(0.30)
Diluted profit/(loss) per share (cents per share)		30.69	(0.30)

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 2008

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2008 $	30 June 2008 $
CURRENT ASSETS			
Cash and cash equivalents		209,453,044	16,137,185
Trade and other receivables	6	19,955,550	260,446
		229,408,594	16,397,631
Non-current assets classified as held for sale	4	-	56,861,281
TOTAL CURRENT ASSETS		229,408,594	73,258,912
NON-CURRENT ASSETS			
Trade and other receivables	6	4,418,065	8,268
Financial assets at fair value through profit & loss	7	6,761,121	4,051,037
Restricted cash		161,398	170,903
Plant and equipment		125,733	160,320
Exploration and evaluation and expenditure	8	1,794,929	28,000
Investment in associated entity	9	22,828,236	-
Deferred tax asset		-	3,864,067
TOTAL NON-CURRENT ASSETS		36,089,482	8,282,595
TOTAL ASSETS		265,498,076	81,541,507
CURRENT LIABILITIES			
Trade and other payables		894,303	617,634
Income tax payable		63,102,825	-
Deferred income		250,000	5,000,000
TOTAL CURRENT LIABILITIES		64,247,128	5,617,634
NON-CURRENT LIABILITIES			
Deferred tax liability		31,577	8,361
TOTAL NON-CURRENT LIABILITIES		31,577	8,361
TOTAL LIABILITIES		64,278,705	5,625,995
NET ASSETS		201,219,371	75,915,512
EQUITY			
Issued capital		120,181,379	82,008,254
Reserves		5,075,167	15,458,304
Retained earnings		75,962,825	(21,551,046)
TOTAL EQUITY		201,219,371	75,915,512

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 2008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Retained earnings	Share Based Payment Reserve	Total
	$	$	$	$
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)
Total recognised income and expense	54,094,995	(24,679,260)	17,663,230	47,078,965
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
Transactions with equity holders in their capacity as equity holders	11,379,569	-	1,192,050	12,571,619
Balance at 31 December 2007	65,474,564	(24,679,260)	18,855,280	59,650,584
Balance at 1 July 2008	82,008,254	(21,551,046)	15,458,304	75,915,512
Profit attributable to members	-	166,482,671	-	166,482,671
Total recognised income and expense	82,008,254	144,931,625	15,458,304	242,398,183
Value of options issued to consultants (note 10)	-	-	2,107,540	2,107,540
Shares issued during the period (notes 9, 10)	15,840,000	-	-	15,840,000
Option conversions (note 10)	53,849,298	-	(12,490,677)	41,358,621
Tax effect of capital raising costs	(166,719)	-	-	(166,719)
Capital return to shareholders (note 15)	(31,349,454)	-	-	(31,349,454)
Dividends paid to shareholders (note 15)	-	(68,968,800)	-	(68,968,800)
Transactions with equity holders in their capacity as equity holders	38,173,125	(68,968,800)	(10,383,137)	(41,178,812)
Balance at 31 December 2008	**120,181,379**	**75,962,825**	**5,075,167**	**201,219,371**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASHFLOWS

	Note	For the six months ended 31 December 2008 $	31 December 2007 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(34,563,356)**	(1,417,188)
Interest and bill discounts received		**5,148,654**	203,898
Payments for exploration and evaluation (inclusive of GST)		**(1,453,847)**	(9,229,191)
Non refundable deposit – Ding transaction		**-**	750,000
Receipts – other		**25,807**	56,650
Net cash used in operating activities		**(30,842,742)**	(9,635,831)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interest in associated entity		**(6,988,236)**	-
Payment for exploration assets		**-**	(2,000,000)
Purchase of property, plant and equipment		**(4,647)**	(17,671)
Purchase of equity investments		**(1,948,382)**	(69,500)
Proceeds from sale of equity investments		**-**	1,514,760
Proceeds from sale of tenements		**315,000,000**	-
Loans to non-associated entities		**(22,940,500)**	-
Proceeds from environmental bonds		**-**	148,344
Proceeds from loan from other entity		**-**	2,003,273
Net cash provided by investing activities		**283,118,235**	1,579,206
CASHFLOWS FROM FINANCING ACTIVITIES			
Capital return paid to Shareholders		**(31,349,454)**	-
Dividend paid to Shareholders		**(68,968,800)**	-
Proceeds from issues of equity securities		**41,358,620**	8,806,862
Net cash (used in)/provided by financing activities		**(58,959,634)**	8,806,862
Net increase in cash and cash equivalents		**193,315,859**	750,237
Cash and cash equivalents at beginning of period		**16,137,185**	1,917,384
Cash and cash equivalents at end of period		**209,453,044**	2,667,621
Non-cash investing activities	**14**		

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

This general purpose consolidated financial report for the half-year ended 31 December 2008 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 2008 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 2008 annual financial report for the financial year ended 30 June 2008. In addition, the Company has adopted the following new accounting policy during the half year in relation to accounting for entities over which the Company has significant influence:

Associates
Associates are all entities over which the consolidated entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The consolidated entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The consolidated entity's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the consolidated entity and its associates are eliminated to the extent of the consolidated entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

	Consolidated	
	31 December 2008 $	**31 December 2007 $**
2. REVENUE		
Interest earned	**8,284,584**	379,972
	8,264,584	379,972

3. OTHER INCOME

Income from sale of investments	-	433,745
Non-refundable deposit – Ding transaction	-	750,000
Other	**25,807**	56,650
	25,807	1,240,395

4. NET GAIN ON SALE OF TENEMENTS

Sale of tenements to MCC	**232,667,721**	-
	232,667,721	-

The $232,667,721 pre-tax net gain on sale of tenements has been calculated as follows:

Sale proceeds received	320,000,000
Commission fee paid	(30,400,000)
Carrying value of tenements sold	(56,932,279)
	232,667,721

On 26 February 2008, the Company signed a Memorandum of Understanding ("MoU") with Chinese conglomerate China Metallurgical Group Corporation ("MCC Mining") for the sale of the tenements related to the Cape Lambert Iron Ore Project (the "Project"). The sale was for total cash consideration of $400,000,000, with $80,000,000 of this amount contingent upon MCC Mining obtaining the grant of a mining lease and related construction approvals in respect of the Project (the "Approvals") within two years of the 6 August 2008 settlement date, or such other longer period that MCC Mining and the Company agree - providing the Company has provided MCC Mining with reasonable assistance in obtaining the Approvals.

As at 30 June 2008, sale proceeds of $5,000,000 had been received from MCC Mining, and recorded as deferred income on the 30 June 2008 balance sheet. During the half-year ended 31 December 2008, additional sale proceeds of $315,000,000 have been received by the Company. Also during the half-year, the Company became liable for, and paid, a commission fee of $30,400,000 million to an unrelated party upon settlement of the sale transaction.

As at 31 December 2008, the contingent sale proceeds of $80,000,000 have not yet been received as the Approvals have not yet been obtained by MCC Mining. If the Approvals are obtained by MCC Mining, thus triggering the payment of the $80,000,000 contingent sale proceeds, the Company would then become obligated to pay an additional commission fee of $7,600,000 to the unrelated party for settlement of the contingent portion of the sale transaction (refer to note 11).

5. 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.
- **Sierra Leone:** The home country of significant influence associated entity. The area of operation is Mineral Exploration only. All administration for Sierra Leone assets is performed in Australia.

	Australia $	Romania $	Sierra Leone $	Consolidated $
Primary Reporting – Geographical Segments				
31 December 2008				
Segment revenue and other income	240,782,968	1,284	193,860	240,978,112
Segment result	166,287,912	899	193,860	166,482,671
Primary Reporting – Geographical Segments				
31 December 2007				
Segment revenue and other income	379,972	-	-	379,972
Segment result (loss)	(917,530)	-	-	(917,530)

6. TRADE AND OTHER RECEIVABLES

	31 December 2008 $	31 December 2007 $
Trade and other receivables - current		
Loans to unlisted entities[1]	15,140,570	-
Loans to ASX-listed entities[2]	971,776	-
Accrued interest receivable	3,156,516	20,586
Other current receivables	686,688	239,860
	19,955,550	260,446
Trade and other receivable – non current		
Loans to ASX-listed entities[2]	4,409,797	-
Other	8,268	8,268
	4,418,065	8,268

[1]On 24 October 2008, the Company (via one of its subsidiaries) loaned $7,516,535 to an unlisted entity in accordance with a loan agreement which includes a conversion option at the hands of the Company. On 12 December 2008, a further $7,624,035 was loaned to the unlisted entity. Each of these loan tranches accrue interest at a nominal interest rate of 11.5% per annum (compounding annually), and are due to be repaid within 10 months of the date of the loan being provided or another date as mutually agreed by the parties (if not converted earlier).

The conversion option allows the Company to convert the outstanding principal and accrued interest balance at any point in time at a conversion rate of 1 share per every $0.50 of outstanding loan balance. The Company has assigned $nil value to the conversion option embedded within this loan agreement.

As at 31 December 2008, the Company has received $250,000 as advanced payment of expected interest to be accrued on this loan from 1 January 2009 to 31 March 2009. This has been recorded as deferred income on the balance sheet.

Refer to note 12 for additional disclosure regarding significant movements in this loan receivable balance subsequent to 31 December 2008.

[2] During the month of December 2008, the Company (via one of its subsidiaries) loaned $7,800,000 to various ASX-listed entities in accordance with loan agreements with those entities. Some of the loan agreements included conversion options in the hands of the Company. These loans accrue interest at rates ranging from 11.5% to 12% per annum (compounding annually), and are due to be repaid by dates varying from 10 December 2009 to 12 December 2010, or other dates as mutually agreed to by parties (if not converted earlier).

Using a Black-Scholes Option Pricing Model, the Company valued the conversion options within these loan agreements at inception of the respective loan agreements at an aggregate value of $2,267,928. This balance was recorded within financial assets at fair value through profit & loss as a separate asset on the balance sheet, thereby reducing the carrying value assigned to the loan receivable balances accordingly. As at 31 December 2008, the carrying value of these conversion options has been marked-to-market, resulting in a fair value gain recorded to the income statement during the half-year ended 31 December 2008 of $584,045.

Also as part of these loan agreements, the Company received 3,200,000 call options to acquire shares of an ASX-listed entity at an exercise price of $0.15, with an expiry date of 30 June 2010. Using a Black-Scholes Option Pricing Model, the Company valued these call options at inception of this loan agreement as $150,499. This balance was recorded within financial assets at fair value through profit & loss as a separate financial asset, thereby reducing the carrying value of the loan receivable balance accordingly. There has been no mark-to-market impact on these call options at 31 December 2008.

These loan receivable balances will be accreted up to face value over the life of the respective loans under the effective interest rate method.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

	31 December 2008 $	31 December 2007 $
Investments in equity securities	3,758,649	4,051,037
Conversion options (refer to note 6)	2,851,973	-
Call options (refer to note 6)	150,499	-
	6,761,121	4,051,037

8. EXPLORATION AND EVALUATION EXPENDITURE

	6 Months to 31 December 2008 $	Year Ended 30 June 2008 $	6 Months to 31 December 2007 $
Exploration and evaluation phases – at cost			
Movement in carrying amounts			
Brought forward	**28,000**	38,324,659	38,324,659
Exploration and evaluation expenditure capitalised during the period	**1,766,929**	14,564,622	10,226,541
Consideration for exploration assets acquired during the period – at valuation	-	4,000,000	4,000,000
Exploration assets to be sold		(56,861,281)	-
Total exploration and evaluation phases	**1,794,929**	28,000	52,551,200

9. INVESTMENT IN ASSOCIATED ENTITY

	31 December 2008	31 December 2007
Investment in Marampa Iron Ore Limited on 1 October 2008	22,828,236	-

On 1 October 2008, the Company entered into an agreement with African Minerals Limited ("AML") to acquire a 30% equity interest in AML's previously wholly-owned subsidiary Marampa Iron Ore Limited ("MIOL"). As part of this agreement, the Company also obtained two of the four positions on the MIOL Board of Directors. The agreement also included an option, at the hands of the Company, to acquire the remaining 70% equity interest for proceeds of US$161,829,733 – this option has been assigned a $nil value.

As purchase consideration for the above, the Company paid $6,988,236 in cash, and also issued 44,000,000 shares of the Company to AML on 1 October 2008. These shares were valued at $15,840,000 based on the closing share price of $0.36 on the ASX on 30 September 2008, the last trading date prior to issuance of the shares.

As a result of the 30% equity interest and two seats on the Board of Directors, the Company has obtained significant influence over MIOL, and as such have applied equity accounting for this investment. There has been no subsequent adjustment to the initially recorded carrying value of the investment during the half-year, as there has been no income statement activity in the MIOL entity since the date of acquisition.

Refer to note 12 for discussion of increase in the Company's equity interest of MIOL subsequent to 31 December 2008.

10. SECURITIES ISSUED DURING THE PERIOD

Ordinary fully paid shares

Shares issued during the period on exercise of options:
On 11 July 2008, the Company issued 823,770 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $228,185.

On 16 July 2008, the Company issued 56,075,143 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $15,532,815.

On 25 July 2008, the Company issued 1,437,000 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $458,049.

On 8 August 2008, the Company issued 5,494,000 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $1,571,838.

On 29 August 2008, the Company issued 49,180,000 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $16,072,860.

On 12 September 2008, the Company issued 3,751,950 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $1,039,290.

On 26 September 2008, the Company issued 739,194 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $204,757.

On 10 October 2008, the Company issued 4,157,742 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $1,151,695.

On 20 October 2008, the Company issued 18,084,104 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $5,009,297.

On 14 November 2008, the Company issued 491,275 ordinary fully paid shares pursuant to the exercise of options for cash consideration of $102,676.

Other shares issued during the period:
On 1 October 2008, the Company issued 44,000,000 ordinary fully paid shares to Africa Minerals Limited as partial consideration for the acquisition of a 30% equity interest in Marampa Iron Ore Limited. These shares were valued at $15,840,000 based on the closing share price of $0.36 on the ASX on 30 September 2008, the last trading date prior to issuance of the shares.

Option issues during the period:
On 4 August 2008, the Company issued 8,350,000 options exercisable at $0.50 each on or before 30 June 2010. The options were valued at $0.252 each (total $2,107,540) using a Black-Scholes Option Pricing Model with the following assumptions:

Grant date share price: $0.62
Days to expiration: 695
Estimated volatility: 50%
Risk-free rate: 7.5%

11. CONTINGENT LIABILITIES

If the Company is successful in receiving the remaining $80,000,000 of sale proceeds from MCC pursuant to the MCC sale agreement (refer to note 4), the occurrence of which is contingent on various events transpiring prior to 6 August 2010, this would trigger an obligation of the Company to pay an additional $7,600,000 in contingent commission fees on the sale.

Apart from this, there are no other material contingent liabilities to be disclosed.

12. EVENTS SUBSEQUENT TO REPORTING DATE

On 22 January 2009, the Company (via one of its subsidiaries) has loaned an additional $12,900,035 to an unlisted entity pursuant to the convertible loan agreement between the parties (refer to note 6).

On 22 January 2009, the Company acquired an additional 5% equity interest in Marampa Iron Ore Limited ("MIOL"), increasing its total equity interest to 35%, in exchange for consideration of 17,000,000 shares of the Company. These shares were valued at $4,930,000 based on the closing share price of $0.29 on the ASX on 21 January 2009, the last trading date prior to issuance of the shares. In connection with this increase in equity interest, the option in the hands of the Company to acquire the remaining equity interest in MIOL (refer to note 9) has been modified. From 22 January 2009, the Company now has the option to acquire the remaining 65% equity interest for proceeds of US$158,438,057 – this option has been assigned a $nil value.

On 6 February 2009, the Company acquired the secured debt owed by CopperCo Limited and its subsidiaries from Macquarie Bank Limited and LinQ Capital Limited. Under the transaction, the Company acquired the secured debt owed to these parties for a total cash payment of $72.7m (the payment of approximately $15m is deferred until 24 July 2009).

13. RELATED PARTY DISCLOSURES

During the reporting period, payments for accounting services totalling $4,451 were made to Hewitt, Turner & Gelevitis, of which Tim Turner, Director of Cape Lambert Iron Ore, is a partner. A payment of $950 was made during the reporting period for promotional services to PG Partnerships, of which Antony Sage, Chairman of Cape Lambert Iron Ore, is the owner.

Following the sale to MCC, the Directors, via their private companies, were paid additional consulting fees totalling $1.6m.

14. NON-CASH INVESTING ACTIVITIES

	31 December 2008 $	31 December 2007 $
Acquisition of interest in associated entity[1]	15,840,000	-
Share based payments[2]	473,250	-

[1]The Company issued 44,000,000 shares on 1 October 2008 as partial consideration for the acquisition of a 30% equity interest in Marampa Iron Ore Limited (refer to note 9).
[2]The Company issued 8,350,000 options valued at $2,107,540 to contractors and employees on 4 August 2008. Of this, $473,250 was deemed to relate to exploration and evaluation activities, and thus was capitalised.

15. DISTRIBUTION TO SHAREHOLDERS

During the half-year ended, using funds received from the sale of tenements to MCC Mining (refer to note 4), the Company distributed $100,318,254 of cash to Shareholders. Of this total amount distributed, $31,349,454 was via a return of capital, and $68,968,800 was via an unfranked dividend.

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 6 to 16 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 2008 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 13th day of March 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St George's Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
www.pwc.com/au
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999

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 2008, 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 both 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 establishing and maintaining internal control 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 2008 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.

Independent auditor's review report to the members of Cape Lambert Iron Ore Limited (continued)

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

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 as at 31 December 2008 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

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
13 March 2009