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The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

**WIDE DTR INTERSECTION IN HOLE MA209 SUBSTANTIALLY EXTENDS
MAGNETITE MINERALISATION**

Key Points

- 164m intersection in drill hole MA209 returns 67.4% Fe with low deleterious elements at a concentrate recovery of 33.8% from Davis Tube Recovery ("DTR") testing;
- Depth of magnetite mineralisation extended by approximately 100m in this area;
- Mineralisation open along strike to the southeast of MA209 with DTR results for drill hole MA210 pending;
- 66 Reverse Circulation ("RC") holes completed in the Central Target Area for a total advance of 17,106m – further results pending.

Background

Iron ore exploration and development company Cape Lambert Iron Ore Limited (ASX: CFE, AIM: CLIO) (the "Company") is pleased to announce a spectacular Davis Tube Recovery ("DTR") result in drill hole MA209 of 164m (from 72m to 236m) at an average concentrate recovery of 33.8% by weight, 67.4% Fe, 5% SiO₂, 0.24% Al₂O₃, 0.006% P and 0.03% S. Full details of this intercept are set out in Table 1.

In the Company's ASX release dated 28 September 2006, it reported holes MA209 and MA210 had intersected a shallow (from approximately 50 metres depth), wide magnetite-rich horizon. These holes are 100m apart on section 13,200E, and this new, wide zone is thought to represent the down-dip merged extension of the Upper and Lower mineralised units. This new zone is outside the current resource envelope and represents a substantial extension of mineralisation.

Drill hole MA209 is 50m southeast of MA112 and 110m northwest of MA175A.

Holes MA112 and MA175A were drilled by the previous explorer Robe River Mining Co Pty Ltd ("Robe") to depths of 140m and 136m respectively. Hole MA209 was drilled to a depth of 252m and magnetite mineralisation was encountered to 237m. MA209, therefore represents an approximate depth extension of 100m over Robe's holes. Consequently, this new mineralisation was not included in the Mackay & Schnellmann July 2005 resource estimate of 2.49Bt at 30% Fe (at a cut-off of 25% Fe), which has previously been reported to the market and was estimated using only Robe's drilling.



Table 1: Summary Results from Davis Tube Recovery Test Work

Hole_ID	Local Grid		Sample (m)			DTR results				
	Easting	Northing	From	To	Interval	Recoverable Mag Wt (%)	Fe grade (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)
MA209	13,200	11,050	72	236	164	33.8	67.4	5.0	0.24	0.006
Robe Holes										
MA112	13,206	11,101	54	140	86	33.4	66.2	6.1	0.28	0.070
MA175A	13,193	10,993	60	136	76	33.5	69.4	3.1	0.14	0.045

Note: All holes are collared vertically

DTR results for drill hole MA210, which is located 100m southeast of MA209 are pending and the mineralisation is open along strike to the southeast of MA210.

Drilling Activities

As of 10 December, the Company had completed 66 RC drill holes within the Central Target Area for a total advance of 17,106m. Drilling is scheduled to stop over the Christmas/New Year period and to recommence in early 2007.

As of 4 December 2006, a total of 1,315 composite (4m) samples had been submitted for DTR analysis. Average sample turnaround remains at 2 months, and it is hoped the drilling pause over Christmas and New Year will allow for the backlog of DTR results to be received.

Further significant DTR results will be released to the market as they become available, otherwise DTR results will be summarised in Quarterly Reports.

Yours faithfully
CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

The DTR information in this report is based on information complied 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.

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