

**MEDIA RELEASE
17 JANUARY 2006**

Cape Lambert To Spin-Off Gold Assets In A\$3M IPO: IGL Re-Born As Gold Producer

- True value of gold assets to be realised
- Production at Mt Ida anticipated to generate A\$30 million net
- CFE Shareholders to benefit from in specie distribution
- A\$7.5 million JV with MRA at Mt Ida
- CFE to retain 50% royalty
- Ex-Anglo Boss To Run IGL

Cape Lambert Iron Ore Limited (**ASX: CFE**) is pleased to announce a proposed restructure of its mineral exploration and production assets through the formation of a 100% owned subsidiary, International Goldfields Limited (**IGL**), which will hold the companies Mt Ida, Evanston and other non-core gold assets. The Sacu gold/copper in Romania will be retained by CFE.

Once the subsidiary company is established, CFE proposes to list International Goldfield Limited's shares on the Australian Stock Exchange (ASX) through an initial public offering (IPO) of 15,000,000 shares at 20c per share, to raise up to \$3 million. Following the IPO, CFE and its shareholders will hold approximately 70% of the issued capital of IGL.

CFE Executive Chairman, Mr Tony Sage, said that through the creation of the subsidiary and subsequent IPO CFE would realise the true value for its gold assets.

"The Board of CFE believes that the value of the Company's gold operations (which are to be assigned to IGL) are not currently being fully reflected in the company's share price, Mr Sage said.

"This is largely due to the recent acquisition of the Cape Lambert Project being undertaken in conjunction with the significant and sustained increase in the gold price.

"The proposed de-merger is expected to release significant value and result in the distribution of this value directly to Cape Lambert's shareholders, who following the de-merger will hold shares in two listed entities."

Subject to obtaining approval for the proposed listing of IGL on the ASX, CFE intends to reward its existing shareholders through an in specie distribution of approximately 71% of the securities it holds in IGL (post IPO). The proposed distribution will give CFE shareholders 50% equity in IGL. The distribution of IGL shares will be subject to the successful listing of IGL on the ASX and the approval by CFE shareholders (refer proposed Capital Structure Table).

"If successful the process will result in the establishment of IGL as a listed gold production and exploration company, with Cape Lambert becoming a company more focussed on iron ore exploration and development," Mr Sage said.

"This will allow each company to capitalise on the prevailing positive sentiment towards the mineral sector in general and iron ore and gold in particular."

The proposed IPO to raise \$3 million, will provide funds for the further exploration and development of IGL gold projects at no cost to Cape Lambert.

Following the completion of a mine feasibility study in late 2005, mining at the Mt Ida gold project in Western Australia will commence in the second quarter 2006.

The mining activity at Mt Ida is expected to last approximately 22 months and will focus on the Baldock, Meteor, Whinnen and Timoni ore bodies, which have a combined JORC compliant resource of 110,650 ounces (averaging 24gms per tonne). The expected cost to develop and bring the four ore bodies into production will be approx A\$4.5 million. Importantly, Cape Lambert will retain a 50% royalty interest on operating profit (up to \$15 million) derived from mining the four ore bodies.

Milspan Holding Pty Ltd (Milspan) has agreed that the joint venture arrangement at Mt Ida, announced to the ASX on 4 January 2006, will be terminated, with the development and mining of these ore bodies to now be undertaken and funded by IGL. Milspan will be engaged to provide executive management services to IGL in regards to this activity.

The remaining ore bodies at the Mt Ida, to be transferred to IGL, are subject to a separate Farm-in and Joint Venture Agreement with MRA. As part of the this agreement MRA have committed to spend A\$7.5 million on gold exploration at the Mt Ida project over a five year period to earn a 51% interest of all gold found as part of the agreement.

The board of IGL will be made up of Mr Tony Sage (Non-Executive Chairman), Mr Nap Mayer (Executive Director), Mr Charles Mostert (Director) and Mr Tim Turner (Director).

Mr Mayer holds a Bachelor Engineering (Mining) degree from the University of the Witwatersrand in South Africa and Diplomas in Business Administration from the University of South Africa and Harvard Business School in the United States of America. He has over 40 years experience in the mining industry, including an extended period as the Managing Director of the Gold and Uranium Division of Anglo American. At the time this division produced 8 million ounces annually.

As this restructure is subject to approval by CFE Shareholders, the company will be calling a shareholder meeting within the next seven weeks, with full details of the meeting and resolutions to be voted on being issued to all CFE shareholders, and the appropriate regulatory authorities, within the coming 14 days.

For further information please contact:

Tony Sage
Chairman
CFE
Tel: 08 9388 0744
Em: tony@capelam.com

David Tasker
Account Manager
Professional Public Relations (WA)
Tel: 09388 0944 / 0433 112 936
Em: dtasker@pprwa.com.au



Editors Notes:

IGL - Proposed Capital Structure

Assuming the proposed restructure is approved and IGL successfully lists on ASX the capital structure of IGL is set out below.

Shareholder	Note	Number of shares	%
Cape Lambert		10,000,000	20%
Cape Lambert shareholders	1	25,000,000	50%
IPO Offer		15,000,000	30%
Total shares		50,000,000	100%
<i>Note 1: Excludes any shares acquired by Cape Lambert shareholders under the IPO offer.</i>			

Proposed timetable

Outlined below is an indicative timetable for the proposed restructure of Cape Lambert and IPO of IGL. This timetable is indicative only and subject to change.

Announcement of proposed spin off	16 January 2006
Complete Prospectus	21 February
IGL IPO offer period	21 February – 14 March 2006
Cape Lambert shareholder meeting	28 February 2006
Complete in specie distribution to Cape Lambert shareholders	24 March 2006



17 January 2006
The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

PROPOSED SPIN OFF OF GOLD ASSETS

Cape Lambert Iron Ore Limited (“**Cape Lambert**” or “**the Company**”) is pleased to announce a proposed restructure of its mineral exploration and production interests through the formation of a 100% owned subsidiary, International Goldfields Limited (“**IGL**”) which will hold the Company’s Mt Ida, Evanston projects and other non core gold assets. Cape Lambert proposes to list IGL’s shares on the Australian Stock Exchange (“**ASX**”) through an initial public offering (“**IPO**”) of 15 million shares at 20 cents per share to raise \$3 million. Cape Lambert will hold 70% of the post IPO issued capital of IGL. Cape Lambert will retain a 50% royalty interest in the operating profits of Mt Ida’s Meteor, Whinnem, Baldock and Timoni ore bodies following the demerger.

In specie distribution

Subject to obtaining approval for the proposed listing of IGL on ASX, CFE intends to make an in specie distribution of approximately 71% of the securities it holds in IGL (post IPO) to Cape Lambert’s shareholders. The distribution of IGL’s shares to CFE shareholders will be on a pro-rata basis by way of a distribution in specie. The distribution of IGL shares will be subject to the successful listing of IGL on the ASX and the approval by Cape Lambert shareholders.

IGL – capital structure

Assuming the proposed restructure is approved and IGL successfully lists on ASX the capital structure of IGL is set out below.

Shareholder	Note	Number of shares	%
Cape Lambert		10,000,000	20%
Cape Lambert shareholders	1	25,000,000	50%
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Total shares		50,000,000	100%
<i>Note 1: Excludes any shares that may be acquired by Cape Lambert shareholders under the IPO offer.</i>			

A record date will be established subsequent to listing and shareholder approval to determine shareholder entitlements under the in specie distribution. Further information in respect to the proposed in specie distribution including taxation advice will be outlined in the Notice of Meeting and Explanatory Memorandum which is expected to be sent to shareholders by the end of January 2006.



Restructure expected to release increased value for shareholders

It is the Board's view that the value of the Company's gold operations (which are to be assigned to IGL) are not currently being fully reflected in the share price of Cape Lambert given the recent acquisition of Mt Anketell being undertaken in conjunction with the significant and sustained increase in the gold price. The proposed demerger is expected to release significant value and result in the distribution of value directly to Cape Lambert's shareholders, who following the demerger will hold shares in two listed entities.

The Company believes the consolidation of Cape Lambert's gold operations into IGL and the subsequent IPO will assist in maximising the value of these gold projects for the benefit of Cape Lambert's shareholders, without detracting from the Company's iron ore project. If successful the process will result in the establishment of IGL as a listed gold production and exploration company with Cape Lambert becoming a more iron ore focussed company. This will allow each company to capitalise on the prevailing positive sentiment towards the mineral sector in general and iron and gold in particular. The proposed IPO raising of \$3 million will also provide funds of the further exploration and development of IGL's gold projects at no cost to Cape Lambert. Importantly, the retention of the royalty interest in Mt Ida will provide Cape Lambert with the opportunity to realise significant cash receipts (up to \$15 million) back into the Company.

IGL – Gold projects

IGL will comprise an aggregation of Cape Lambert's Mt Ida project including the Meteor, Whinnem, Baldock and Timoni ore bodies and the tenements subject to a Farmin and Joint Venture Agreement with Mines and Resource Australia Pty Ltd ("**MRA**"), the Evanston gold project and other non core gold assets. The company will be specifically gold focused having an experienced management team with relevant experience in gold exploration and development.

Mt Ida projects

Meteor, Whinnem, Baldock and Timoni ore bodies

- The estimated gold resource (JORC compliant) contained within Mt Ida's Meteor, Whinnem, Baldock and Timoni ore bodies is currently 110,650 ounces of gold averaging 24 g/tonne.
- Mining of these ore bodies is expected to commence in the second quarter of 2006.
- Milspan Holding Pty Ltd ("**Milspan**") has agreed that that joint venture arrangement previously announced on 4 January 2006 will no longer be implemented with the development and mining of this part of Mt Ida now to be undertaken and funded by IGL. The Milspan team will however provide the executive management of IGL.
- Cape Lambert will retain a 50% royalty interest in the operating profit from these ore bodies.

MRA Farmin and JV Agreement

- The remaining ore bodies at the Mt Ida (i.e. excluding Meteor, Whinnem, Baldock and Timoni) are subject to a separate Farmin and Joint Venture Agreement with MRA a wholly owned subsidiary of French mining company Cogema Group.
- Under the original agreement MRA committed to spend \$7.5 million over 5 years on gold exploration at Mt Ida and in return will earn an interest of 51% of all gold found at the Mt Ida project.

Evanston

- The Evanston tenements contain a number of prospects which lie between a major regional structure, the Evanston Shear, and the intrusive Deception Hill porphyry and Pigeon Rock granite.
- The estimated gold resource is currently 123,000 ounces of gold at an average grade of 2.3 g/tonne.

IGL- Board***Tony Sage – Non-executive Chairman
(B.Com, FCPA, CA, FTIA)***

Mr Sage has in excess of 21 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 12 years.

Mr Sage is the Executive Chairman of Cape Lambert Iron Ore Limited and Non Executive Chairman of Canadian listed NFX Gold Inc.

***Nap Mayer – Executive Director
(B. Eng (Mining), Dip Bus Admin)***

Mr Mayer holds a Bachelor Engineering (Mining) degree from the University of the Witwatersrand in South Africa and Diplomas in Business Administration from the University of South Africa and Harvard Business School in the United States of America. He is the holder of a South African Mine Managers Certificate and is a member of the Mine Managers Association of South Africa as well as the South African Institute of Mining and Metallurgy. During his career he served the mining industry at all levels and has experience and an understanding of all facets of the mining organisation.

As Managing Director of the Gold and Uranium Division of Anglo American he headed up the largest gold mining organisation which at the time produced 8 million ounces annually. Operations under his control included 5 regions with 36 deep level shafts, 15 gold plants, 2 acid plants and a uranium plant. The South African Government appointed him as Deputy Chairman of the Atomic Energy Corporation where he served for a 3 year period.

During his career of 40 years in the mining industry he served on the boards of both publicly listed as well as private unlisted companies. He was Chairman on (8), Deputy Chairman (1) Managing Director (5) Director (10) company boards. He was also appointed Alternate Director on the Board of the Anglo American Corporation of South Africa.

***Charles Mostert – Non- executive Director
(B.Com. (Hons), MBL, Certificate in Mining Taxation)***

Mr Mostert has over 28 years experience in the mining industry. His career in the South African mining industry included 3 years with Gold Fields of South Africa, 17 years with Anglo American Corporation and 3 years with Durban Roodepoort Deep.

Since moving to Australia in 1998, he has been actively involved in the resources industry serving on the board of a number of listed companies including Hargraves Resources NL, Dome Resources NL and Crown Diamonds NL. He is currently a director of Continental Goldfields Limited, AXG Mining Ltd and Nare Diamonds Limited and is a founding director of Omega Partners Pty Ltd.

Tim Turner – Non-executive Director
(B. Bus, FCPA, FTIA)

Mr Turner specialises in offshore and domestic business structuring, corporate and trust tax planning and has in excess of 20 years experience in new venture and capital raising.

As the senior partner of the accounting firm Hewitt, Turner & Gelevitis, Mr Turner specialises in offshore and domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. He also has extensive experience in new ventures, capital raising and general business consultancy.

Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, Fellow of CPA (Australia) and Fellow of the Taxation Institute of Australia.

Proposed timetable

Outlined below is an indicative timetable for the proposed restructure of Cape Lambert and IPO of IGL. This timetable is indicative only and subject to change.

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Cape Lambert's pro-forma statement of financial position

Outlined below is the unaudited pro-forma consolidated financial position of Cape Lambert assuming the proposed spin off and in specie distribution is successfully completed. The pro-forma financial position includes the financial effect of both the proposed spin off of the gold assets and the Mt Anketell acquisition which was undertaken in December 2005.

Consolidated	Pro-forma (Mt Anketell acquisition)¹ \$000	Pro-forma (Proposed spin off of gold assets)² \$000
Current Assets		
Cash assets	11,030	11,030
Receivables and other	134	134
	11,164	11,164
Non Current Assets		
Receivables	141	141
Other financial assets	1,510	3,510
Plant and equipment	149	149
Exploration, evaluation and development expenditure	44,427	31,924
	46,227	35,724
Total Assets	57,391	46,888
Current liabilities		
Payables	(376)	(376)
Provisions	(39)	(39)
	(415)	(415)
Net assets	56,976	46,473
Total equity	56,976	46,473
Notes: <ol style="list-style-type: none"> 1. Pro-forma financial position as outlined in Cape Lambert's prospectus dated 21 November 2005, which was prepared to reflect the consolidated financial position of the Company assuming the acquisition of 100% of Mt Anketell and issue of shares pursuant to the Placement had occurred as at 30 June 2005. 2. Pro-forma financial position of Cape Lambert assuming the proposed spin off and in specie distribution is successfully completed. The pro-forma has been based on the pro-forma financial position of the Company following the Mt Anketell acquisition as outlined above. 		

The consolidated unaudited pro-forma statement of financial position of Cape Lambert following the proposed spin off has been prepared to show the financial effects on the Company of the following transactions:

- the transfer of the Company's interest in the Mt Ida and Evanston project and other non-core gold assets to IGL (removing capitalised expenditure relating directly to these projects);
- the issue to Cape Lambert of 35 million IGL shares at a deemed issue price of 20 cents per share; and
- the in specie distribution of 25 million IGL shares (at a deemed price of 20 cents per share) held by the Company to Cape Lambert shareholders.

It is noted that the following adjustments have not currently been incorporated into the pro-forma statement of financial position:

- Cape Lambert's 50% royalty interest in the operating profits of the Mt Ida project. This project is expected to result in operating cash flows to the Company of up to \$15 million upon successful mining of the Baldock, Meteor and Whinnen deposits; and
- an allocation of the capitalised goodwill associated with the carrying value of the exploration assets acquired pursuant to the Company's scheme of arrangement in July 2003 to the gold assets being transferred to IGL.

Board changes

Mr Stockley Davis has resigned as a Director of the Company. The Board would like to thank Mr Davis for his contribution to Cape Lambert

The Board of Cape Lambert is pleased to advise that Mr Emilio Del Fante has been appointed Director of the Company with immediate effect. Mr Del Fante has significant experience in the Western Australian mining industry and has operated a successful mining tenement and advisory business over the last 16 years.

For further information please contact Mr Tony Sage on (08) 9388 0744.

The information in this report that relates to the Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Robert Annett, who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Robert Annett is a consultant to Cape Lambert Iron Ore Ltd, and has sufficient experience which is relevant to the style of mineralisation and the 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." Robert Annett consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.