

## REPORT FOR THE QUARTER ENDING 31 DECEMBER 2005

### COMPANY HIGHLIGHTS

#### Acquisition of the Cape Lambert Iron Ore Project

On the 24<sup>th</sup> August, the Company announced its conditional Heads of Agreement to acquire the whole of the share capital of Mt Anketell. Mt Anketell is the holder of the Cape Lambert Iron Ore project located in the Pilbara region of Western Australia. Highlights of the project are:-

- The Project is located 10km from a suitable shipping port, and near the townships of Karratha, Roebourne and Wickham,
- Robe River Mining Company conducted extensive exploration and mineral test work on the Cape Lambert Iron deposit between 1993 and 2001,
- A recent re-evaluation of all data by independent geological consultants Mackay & Schnellmann Pty Ltd has confirmed a significant upgrade of the resources within the Project.
- The Company plans to commence a feasibility study on the project immediately which is expected to take between 12-18 months to complete.

#### Placement Offer

A Prospectus was lodged on 20<sup>th</sup> September for a Placement Offer to raise up to \$33 million. The principal purpose of the Placement is:

- To fund the acquisition cost of the whole of the share capital of Mt Anketell,
- To fund existing projects, and
- To meet the working capital requirements of the Company.

As announced on 14 December 2005, the Company closed the Placement Offer. As announced on 16 December 2005, the Company issued the Placement Shares and Options and completed the acquisition of the whole of the share capital of Mt Anketell.

#### General Meeting of Shareholders

At the General Meeting of shareholders, held on the 17<sup>th</sup> October, the eight resolutions put to the meeting and detailed in the notice of meeting lodged with the ASX were passed without amendment.

#### Change of Name and ASX Code

International Goldfields Limited ("IGL") changed it's name to Cape Lambert Iron Ore Ltd and it's ASX code to **CFE** on the 3 November 2005.

## QUARTERLY REPORT FOR THE PERIOD ENDING 31ST DECEMBER 2005

### ACQUISITION OF THE CAPE LAMBERT IRON ORE PROJECT

#### Background

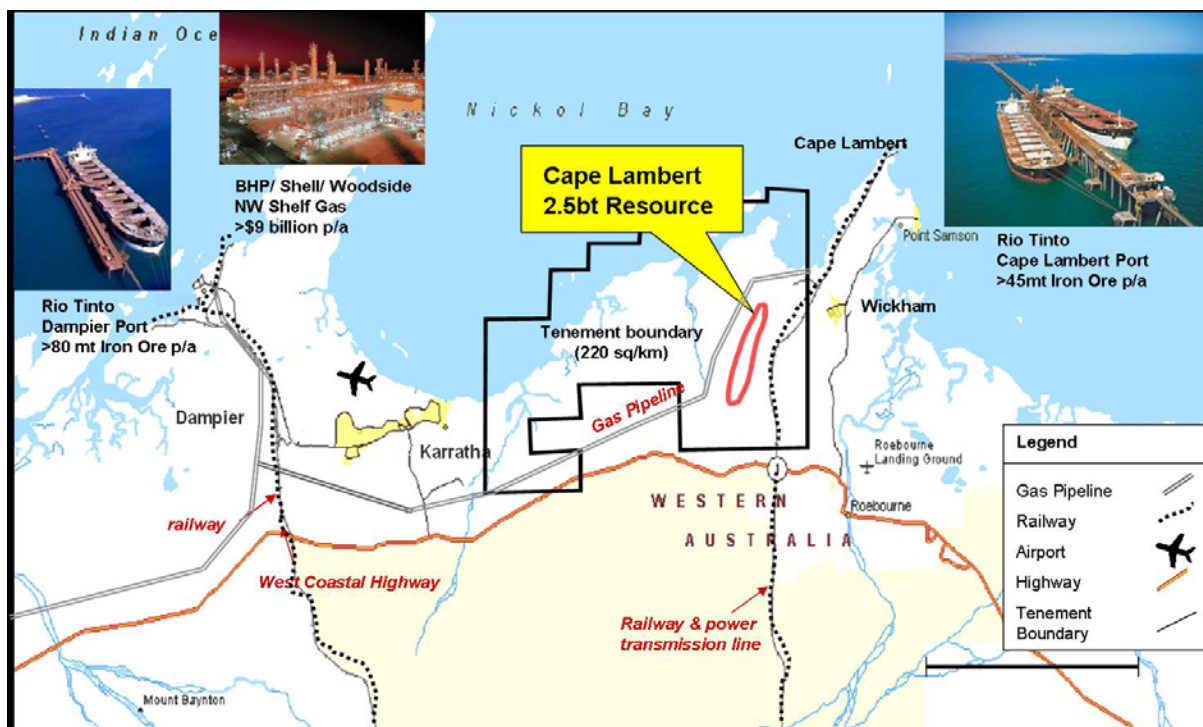
On 24 August 2005, the Company announced that it had entered into a conditional Heads of Agreement with Mt Anketell and the Mt Anketell Shareholders to acquire the whole of the issued share capital of Mt Anketell. Mt Anketell is the holder of two of the three applications comprising the Cape Lambert Iron Ore project located in the Pilbara region of Western Australia.

The Acquisition of the whole of the issued share capital of Mt Anketell and therefore the Cape Lambert Iron Ore Project was completed on 15 December 2005.

#### Location

The project is comprised of applications ELA47/1462 and 47/1493, in the name of Mt Anketell, and ELA47/1551 in the name of International Goldfields Ltd. The project has an area of 223 square kilometres and is located in the northern coastal Pilbara region of Western Australia between the towns of Karratha, Roebourne and Wickham. The property is crossed by the North West Coastal Highway, gas pipeline, power transmission line and railway, and is only 10km from a suitable shipping port (refer Fig 1 below). The project area has a large number of tracks with cross country access also possible. The area is moderately rugged in parts but relatively flat away from the hills.

**Figure 1 – Location**



## **PROPOSED SPIN OFF OF GOLD ASSETS**

On 17 January 2006, the Company announced 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, Whinnen, Baldock and Timoni ore bodies following the proposed demerger.

## **MT IDA GOLD PROJECT– WESTERN AUSTRALIA**

Cape Lambert Iron Ore Ltd (“**CFE**”) controls a large, mostly contiguous, tenement package (approximately 500 sq km) that covers the Ularring-Mt Ida Greenstone Belt region in the Eastern Goldfields of Western Australia, some 100km west of Leonora. The project area is centred on the historic Timoni Gold Mine. During the reporting period the Joint Venture with Mines and Resources Australia Pty Ltd (“**MRA**”) continued and Milspan Holdings Pty Ltd (“**Milspan**”) completed their feasibility study to re-commence mining operations.

### **1. MRA Joint Venture**

IGL entered into a Farm In and Joint Venture Agreement in early January 2005 with Mines & Resources Australia Pty Ltd (“**MRA**”), a wholly owned subsidiary of French mining company Cogema Group. The agreement relates specifically to IGL’s Mt Ida Gold Project north of Kalgoorlie in the Eastern Goldfields region of Western Australia.

Exploration activities during the December Quarter included RAB and RC drilling, as well as a large soil sampling program. A total of 68 RAB holes were drilled totalling 1186m over four traverses on E29/439 and E29/541, 16 RC holes totalling 1509m on the Bombay prospect in E29/385 and 1479 soil samples on E29/413, E29/505 and E29/506.

Data from the recent exploration activities will be reviewed in the following quarter, as well as the use of various geophysical techniques to map the distribution of semi-massive sulphides along the Dave Lode trend (M29/2, E29/385 and E29/478). Re-sampling of significant drilling results will also take place including multi-element assaying of mineralised intervals at Bombay. Follow up RAB drilling of soil anomalies and further RC drilling will take place at Dave Lode South to follow up anomalous results from historical drillhole data. Additional soil sampling will take place on E29/388 and E29/378.

### **2. Milspan Heads of Agreement**

Milspan completed their feasibility study to re-commence mining operations at the Company’s Mt Ida Gold project.

The study is being conducted on the JORC compliant Baldock, Whinnen and Meteor resources. The resources are not part of the Joint Venture agreement signed with MRA.

Milspan Holding Pty Ltd has agreed that the 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 the newly proposed listing of IGL. The Milspan team will however provide the executive management of IGL.

## **EVANSTON GOLD PROJECT– WESTERN AUSTRALIA**

The Evanston Project, situated in the Marda-Diemals Greenstone Belt, is located in the Southern Cross Province of the Yilgarn Mineral Field in the Eastern Goldfields of Western Australia. The Company has secured a number of tenements that cover an under explored region which is regarded as highly prospective for gold mineralisation.

RC drilling is planned for the third quarter (April 2006) at the Golden Orb prospect, to both in-fill and potentially extend the known gold mineralisation. This will also provide sufficient information to update a previous mineral resource estimate.

The program will also include the near surface drilling of the untested Red Tail prospect, located 600m west of Golden Orb. The prospect displays a strong gold in soil anomaly which lies between two lines of regional RAB drilling spaced 200m apart. Exploration is planned for the Evanston Shear – Deception Hill area where previous drilling at the Red Boomerang prospect intersected wide spread gold mineralisation. Further exploration is also planned to extend over a number of other exploration targets that were identified from the gravity survey completed earlier in the year.

## **SACU PROJECT – ROMANIA**

The Sacu exploration licence is located approximately 30km southwest of the highly prospective 'Golden Quadrilateral' region in Romania. The concession area covers approximately 250 square km and represents one of the largest mineral concessions granted to any company currently operating in Romania. The licence is current until 31 May 2007.

At the Gladna prospect the Company's activities have identified a multi-phase intrusive system consisting of monzodiorites and andesites intruded into basement schists. Limited drilling has intersected altered and fractured rocks containing up to 5% pyrite, and elevated copper values. Ground electrical geophysical surveys have highlighted a number of IP zones. Further exploration is planned to test a number of these zones.

## **CORPORATE**

### ***Placement Offer***

A Prospectus was lodged on the 20th September for a Placement Offer to raise up to \$33 million. The placement provided for the issue of 110,000,000 shares at an issue price of \$0.30 each, together with to 55,000,000 free attaching 2008 options on the basis of one (1) 2008 option for every two (2) shares allotted and issued.

The principal purpose of the Placement was:

- To fund the acquisition cost of the whole of the share capital of Mt Anketell,
- To fund existing projects, and
- To meet the working capital requirements of the Company.

### ***General Meeting 17th October***

At the General Meeting of shareholders held on the 17th October, the eight resolutions put to the meeting and detailed in the notice of meeting lodged with ASX were passed without amendment.

**SUMMARY**

The Board believes that the acquisition of the Cape Lambert Iron Ore project and the proposed spin-off of the Company's Gold Assets represent a significant opportunity for shareholders. The Directors are confident the significant upgrade in the resource (and to JORC compliance), the expansion of the Cape Lambert port facility by Rio Tinto and related infrastructure (road, rail power and nearby towns), the vastly improved market conditions, together with the advances in technology and associated processing techniques will assist in a positive assessment of the project feasibility.

Websites, [www.capelam.com.au](http://www.capelam.com.au) and [www.internationalgoldfields.de](http://www.internationalgoldfields.de) in English and German text respectively, are maintained providing all current information relating to the Company. Furthermore, should you wish to be placed on the electronic mailing list for all announcements please contact head office [cher@capelam.com.au](mailto:cher@capelam.com.au)

Antony WP Sage  
Executive Chairman

# 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 formerly International Goldfields Ltd

ABN

71 095 047 920

Quarter ended ("current quarter")

31 December 2005

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(733)	(946)
(b) development	-	-
(c) production	-	-
(d) administration	(269)	(397)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	41	55
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid		
1.7 Other	13	209
<b>Net Operating Cash Flows</b>	<b>(948)</b>	<b>(1,079)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	(103)
(b) equity investments	-	-
(c) other fixed assets	-	(3)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	26	26
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Insurance proceeds	-	-
<b>Net investing cash flows</b>	<b>26</b>	<b>(80)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(922)</b>	<b>(1,159)</b>

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(922)	(1,159)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	22,003	22,003
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	(1,205)	(1,229)
	- cash acquired in subsidiary	23	23
	<b>Net financing cash flows</b>	(20,821)	(20,797)
	<b>Net increase (decrease) in cash held</b>	19,899	19,638
1.20	Cash at beginning of quarter/year to date	794	1,055
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	20,693	20,693

**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	71
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	-	-

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	-	-
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**Estimated cash outflows for next quarter**

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
<b>Total</b>		<b>400</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	10,742	278
5.2 Deposits at call	9,951	777
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>20,693</b>	<b>1,055</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			
6.2	E47/1462	100%	0%	100%
	E47/1493	100%	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.*

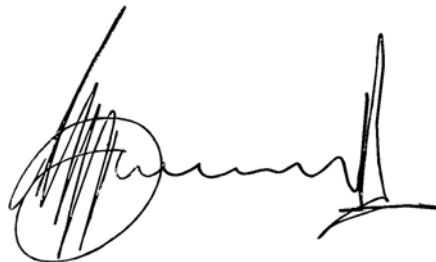
	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	249,164,530	249,164,530		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	109,999,999	109,999,999	\$0.30	\$0.30
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	550,000 500,000 136,671,805 50,000,000 40,000,000 12,500,000	- - 136,671,805 - - -	<i>Exercise price</i> 45 cents 39 cents 30 cents 35 cents 40 cents 30 cents	<i>Expiry date</i> 22 October 2008 9 February 2009 31 October 2008 31 October 2009 31 October 2010 31 October 2008
7.8 Issued during quarter	136,671,805 50,000,000 40,000,000 12,500,000	136,671,805 - - -	30 cents 35 cents 40 cents 30 cents	31 October 2008 31 October 2009 31 October 2010 31 October 2008
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 <b>Debentures</b> <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	<b>Unsecured notes</b> <i>(totals only)</i>		
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## 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: 31 January 2006...

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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+ See chapter 19 for defined terms.