CAPE LAMBERT IRON ORE LTD
(formerly International Goldfields Ltd)
ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 2005

CAPE LAMBERT IRON ORE LTD
(formerly International Goldfields Ltd)
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HALF-YEAR FINANCIAL REPORT
For the Half Year Ended 31 December 2005

COMPANY DIRECTORY

DIRECTORS

Antony WP Sage
(Executive Chairman)

Timothy P Turner
(Non-Executive Director)

Emelio Del Fante
(Non-Executive Director)

Brian Maher
Non-Executive Director

COMPANY SECRETARY

Timothy P Turner

REGISTERED OFFICE

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

AUDITORS

Ord Partners
Level 2, 47 Colin Street
WEST PERTH WA 6005

SHARE REGISTRAR

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
Telephone: (08) 9389 8033
Facsimile: (08) 9389 7871

STOCK EXCHANGE LISTING

Australian Stock Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE, CFEO

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INTERIM FINANCIAL REPORT

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2005.

DIRECTORS

The names of Directors who held office during or since the end of the half year:

Antony Sage	
Timothy Turner	
Emelio Del Fante	(appointed 17 January 2006)
Brian Maher	(appointed 17 January 2006)
Stockley Davis	(resigned 17 February 2006)

REVIEW OF OPERATIONS

Acquisition of the Cape Lambert Iron Ore Project

On the 24th August 2005, the Parent Entity announced its conditional Heads of Agreement to acquire the whole of the share capital of Mt Anketell Pty Ltd (**"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 20th September 2005 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 17th 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 3 November 2005.

Results for the Year

The economic entity made an after tax loss for the half year of $15,550,250 (2004: $2,014,247). The large loss for the six months is largely due to the following:-

- Expensing of options in accordance with AASB 2 "Share Based Payments" for the first time due to the change in accounting policies on 1 July 2005 to comply with A-IFRS. This amounted to $1,258,203 in additional expense.
- The write off of exploration assets relates to the loss expected to be incurred as a result of the spin off of gold assets. As such the Directors resolved to write down the exploration and evaluation expenditure carried forward to their fair values. This resulted in an additional expense of 14,256,064.
- Of the loss incurred of $15,550,250 these two items account for the majority.

Events Subsequent to Reporting Date

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.

On 14 March 2006, the Company announced that it had sold its 16% stake in Canadian Gold Company NFX Gold Inc. (TSX: NFX) for AUD$4.1 million.

The Company retains 220,000 shares in NFX which are held in escrow until 14 June 2006 and at the date of this report the current market value of these shares is in excess of AUD$350,000.

Other than detailed above, no event has arisen since 31 December 2005, that would be likely to materially affect the operations of the consolidated entity, or its state of affairs not otherwise disclosed in the entity's financial report

Adoption of Australian Equivalents to IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 2 of this report.

Auditor's Independence Declaration

The auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 29 for the half year ended 31 December 2005.

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

Timothy Turner
Director

Dated this 16th day of March 2006

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CONSOLIDATED INCOME STATEMENT

For the Half-Year Ended 31 December 2005

		Economic Entity	
	Note	**31 December 2005 $**	**31 December 2004 $**
Revenue		121,252	197,797
Other income		368,207	277,631
Employee benefits expense		(1,495,836)	(214,911)
Borrowing costs expense		-	(4,636)
Corporate and other administration expenses		(159,837)	(259,031)
Consultancy costs		(45,672)	(244,381)
Compliance and regulatory expenses		(48,175)	-
Write back/(down) of investment to recoverable amounts		-	(437,263)
Depreciation and amortisation expense		(34,125)	(34,423)
Write off of exploration assets – intangible		(8,340,942)	(1,000,000)
Write off of exploration assets – tangible		(5,915,122)	(295,030)
Loss before income tax		**(15,550,250)**	**(2,014,247)**
Income tax expense		**-**	**-**
Loss attributable to members of the parent entity		**(15,550,250)**	**(2,014,247)**
Basic loss per share (cents per share)		(10.44)	(1.45)

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LTD
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CONSOLIDATED BALANCE SHEET

As at 31 December 2005

	Note	Economic Entity 31 December 2005 $	30 June 2005 $
CURRENT ASSETS			
Cash and cash equivalents assets		10,718,461	1,054,704
Trade and other receivables	4	10,111,675	134,001
TOTAL CURRENT ASSETS		20,830,136	1,188,705
NON-CURRENT ASSETS			
Receivables		141,394	141,379
Financial assets		3,464,303	1,550,746
Property, plant and equipment		118,341	149,241
Exploration, evaluation and development expenditure	5	41,897,414	23,769,452
TOTAL NON-CURRENT ASSETS		45,621,452	25,610,818
TOTAL ASSETS		66,451,588	26,799,523
CURRENT LIABILITIES			
Trade and other payables		9,727,464	376,063
Short-term provisions		54,632	39,632
TOTAL CURRENT LIABILITIES		9,782,096	415,695
TOTAL LIABILITIES		9,782,096	415,695
NET ASSETS		**56,669,492**	**26,383,828**
EQUITY			
Issued capital		58,652,770	31,169,764
Option premium reserve		16,526,778	-
Asset Appreciation Reserve		1,785,154	-
Accumulated losses		(20,295,210)	(4,785,936)
TOTAL EQUITY		**56,669,492**	**26,383,828**

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LTD
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Half-Year Ended 31 December 2005

	Note	Issued Capital	Accumulated Losses	Option Premium Reserve	Asset Appreciation Reserve	Total
		$	$	$		$
Balance at 1 July 2004		31,167,264	(522,926)	-	-	30,644,338
Loss attributable to members		-	(2,014,247)	-	-	(2,014,247)
Shares issued during the period		2,750	-	-	-	2,750
Transaction costs		(250)	-	-	-	(250)
Value of options issued during the period		-	-	-	-	-
Balance at 31 December 2004		31,169,764	(2,537,173)	-	-	28,632,591
Balance at 1 July 2005		31,169,764	(4,744,960)	-	-	26,424,804
Shares issued during the period		33,000,000	-	-	-	33,000,000
Transaction costs		(5,516,994)	-	-	-	(5,516,994)
Loss attributable to members		-	(15,550,250)	-	-	(15,550,250)
Value of options issued to Directors		-	-	1,258,203	-	1,258,203
Value of options issued to Consultants		-	-	3,780,119	-	3,780,119
Value of options issued for acquisitions		-	-	11,488,456	-	11,488,456
Revaluation of available for sale financial assets		-	-	-	1,785,154	1,785,154
Balance at 31 December 2005		58,652,770	(20,295,210)	16,526,778	1,785,154	56,669,492

The accompanying notes form part of this financial report.

CAPE LAMBERT IRON ORE LTD
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CONSOLIDATED CASH FLOW STATEMENT

For the Half-Year Ended 31 December 2005

		Economic Entity	
	Note	**31 December 2005 $**	**31 December 2004 $**
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(281,510)	(406,840)
Interest and bill discounts received		53,423	129,050
Payments for exploration and evaluation		(1,083,985)	(3,124,684)
Receipts – other		-	82,675
Receipts from release of guarantees		-	24,886
Net cash used in operating activities		**(1,312,072)**	**(3,294,913)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3,225)	(49,173)
Proceeds from the sale of plant and equipment		-	9,091
Proceeds from the sale of tenements		-	-
Purchase of exploration assets		-	(13,196)
Proceeds from sale of equity investments		156,708	175,324
Payment for equity investments		-	(1,321,095)
Payment to trust deposit		(9,951,144)	-
Net cash used in investing activities		**(9,797,661)**	**(1,199,049)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		22,002,960	181,561
Payments for costs of issue of shares		(1,229,470)	(250)
Net cash provided by (used in) financing activities		**20,773,490**	**181,311**
Net decrease in cash held		9,663,757	(4,312,651)
Cash at the beginning of the period		1,054,704	6,935,916
Cash at end of the period		**10,718,461**	**2,623,265**

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2005 and any public announcements made by Cape Lambert Iron Ore Limited and its controlled entities during the half-year in accordance with 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.

Cape Lambert Iron Ore Limited changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 "First-time adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected Cape Lambert Iron Ore Limited's financial position, financial performance and cash flows is discussed in Note 2.

The accounting policies set out below have been applied in preparing the financial statements for the half-year ended 31 December 2005, the comparative information presented in these financial statements, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 as disclosed in Note 2, Cape Lambert Iron Ore Limited's date of transition, except for the accounting policies in respect of financial instruments, as permitted under the first-time adoption transitional provisions. The consolidated entity has not restated comparative information for financial instruments, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information are consistent with those adopted and disclosed in the lodged 2005 annual financial report. The impact of changes in these accounting policies on 1 July 2005, the date of transition for financial instruments, is discussed further in Note 1 (r).

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report:

(a) Principles of Consolidation

A controlled entity is any entity controlled by Cape Lambert Iron Ore Limited whereby Cape Lambert Iron Ore Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(c) Property, Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate Years 2005 and 2006
Plant and equipment	40.0%
Office Furniture	20.0%
Motor Vehicles	22.5%
Mining Equipment	30.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.
Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(g) Intangibles

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(h) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange difference arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.

Income and expenses are translated at average exchange rates for the period.

Retained profits are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

(i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

(k) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(l) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Share Based Payments

Equity –settled share based payments granted after 7 November 2002 that were unvested as of 1 January 2005, are measured at fair value at the date of grant. Fair value is measured by use of the Black Scholes Option Pricing Model.

Transactions in which goods or services are received as consideration for equity instruments of the Consolidated Entity should be measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. In the latter case, the Consolidated Entity is required to measure the transaction by reference to the fair value of the equity instruments granted.

For transactions with employees and others providing similar services, the Consolidated Entity measures the fair value of the equity instrument granted. The fair value of the equity instruments granted is measured at the grant date. The amount recognised as an expense will be spread over the vesting period during which the employees become unconditionally entitled to the options. The amount recognised as an expense will be adjusted to reflect the number of options that vest, except where forfeiture is due to market related conditions.

For transactions with other parties, the fair value is measured at the date the Economic Entity obtains the goods or the counterparty renders service.

(o) Earnings Per Share

Basic earnings per share ("EPS") is calculated by dividing the net profit attributable to members for the reporting period, after excluding any costs of servicing equity, by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue

(p) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from the other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generated unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the Profit and Loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised in the Profit and Loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation increase.

(q) Financial Assets

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

(r) Comparative Figures

The Consolidated Entity has elected not to restate comparative information for financial instruments within the scope of Accounting Standards AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement", as permitted on the first-time adoption of A-IFRS. There are no material differences caused by the effect of changes in the accounting policies for financial instruments on the balance sheet as at 1 July 2005.

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Consolidated Entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards (A-IFRS). The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards", with 1 July 2004 as the date of transition, except for financial instruments, including derivatives, where the date of transition is 1 July 2005 (refer note 1 (r)).

An explanation of how the transition from superseded policies to A-IFRS has effected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(i) Reconciliation of equity at 1 July 2004

	Note	Previous GAAP at 1 July 2004 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 1 July 2004 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		6,935,916	-	6,935,916
Trade and other receivables		959,518	-	959,518
Other current assets		11,414	-	11,414
TOTAL CURRENT ASSETS		**7,906,848**	**-**	**7,906,848**
NON-CURRENT ASSETS				
Other financial assets		1,590,961	-	1,590,961
Plant and equipment		140,932	-	140,932
Deferred exploration and evaluation expenditure		22,240,555	-	22,240,555
TOTAL NON-CURRENT ASSETS		**23,972,448**	**-**	**23,972,448**
TOTAL ASSETS		**31,879,296**	**-**	**31,879,296**
CURRENT LIABILITIES				
Trade and other payables		1,207,492	-	1,207,492
Provisions		27,466	-	27,466
TOTAL CURRENT LIABILITIES		**1,234,958**	**-**	**1,234,958**
TOTAL LIABILITIES		**1,234,958**	**-**	**1,234,958**
NET ASSETS		**30,644,338**	**-**	**30,644,338**
EQUITY				
Issued capital		31,167,264	-	31,167,264
Accumulated losses		(522,926)	-	(522,926)
TOTAL EQUITY		**30,644,338**	**-**	**30,644,338**

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(ii) Reconciliation of Equity at 31 December 2004

	Note	Previous GAAP at 31 December 2004 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 31 December 2004 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		2,623,265	-	2,623,265
Trade and other receivables		217,512	-	217,512
Other current assets		252	-	252
TOTAL CURRENT ASSETS		**2,841,029**	**-**	**2,841,029**
NON-CURRENT ASSETS				
Receivables		161,868	-	161,868
Other financial assets		2,769,890	-	2,769,890
Property, plant and equipment		194,181	-	194,181
Deferred exploration and evaluation expenditure		23,474,162	-	23,474,162
TOTAL NON-CURRENT ASSETS		**26,600,101**	**-**	**26,600,101**
TOTAL ASSETS		**29,441,130**	**-**	**29,441,130**
CURRENT LIABILITIES				
Trade and other payables		762,561	-	762,561
Provisions		45,977	-	45,977
TOTAL CURRENT LIABILITIES		**808,538**	**-**	**808,538**
TOTAL LIABILITIES		**808,538**	**-**	**808,538**
NET ASSETS		**28,632,592**	**-**	**28,632,592**
EQUITY				
Issued capital		31,169,765	-	31,169,765
Accumulated losses		(2,537,173)	-	(2,537,173)
TOTAL EQUITY		**28,632,592**	**-**	**28,632,592**

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(iii) Reconciliation of Equity at 30 June 2005

	Note	Previous GAAP at 30 June 2005 $	Adjustments on introduction of Australian equivalents to IFRS $	Australian equivalents to IFRS at 30 June 2005 $
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		1,054,704	-	1,054,704
Trade and other receivables		134,001	-	134,001
Other current assets		-	-	-
TOTAL CURRENT ASSETS		**1,188,705**	-	**1,188,705**
NON-CURRENT ASSETS				
Receivables		141,379	-	141,379
Other financial assets		1,550,746	-	1,550,746
Property, plant and equipment		149,241	-	149,241
Deferred exploration and evaluation expenditure	**(vi)**	23,810,428	(40,976)	23,769,452
TOTAL NON-CURRENT ASSETS		**25,651,794**	**(40,976)**	**25,610,818**
TOTAL ASSETS		**26,840,499**	**(40,976)**	**26,799,523**
CURRENT LIABILITIES				
Trade and other payables		376,063	-	376,063
Provisions		39,632	-	39,632
TOTAL CURRENT LIABILITIES		**415,695**	-	**415,695**
TOTAL LIABILITIES		**415,695**	-	**415,695**
NET ASSETS		**26,424,804**	**(40,976)**	**26,383,828**
EQUITY				
Issued capital		31,169,764	-	31,169,764
Accumulated losses	**(vi)**	(4,744,960)	(40,976)	(4,785,936)
TOTAL EQUITY		**26,424,804**	**(40,976)**	**26,383,828**

2. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(iv) Effect of A-IFRS on the Income Statement for the half-year ended 31 December 2004 and the financial year ended 30 June 2005

		31 December 2004			30 June 2005		
	Note	**Superseded Policies**	**Effect of Transition to A-IFRS**	**A-IFRS**	**Superseded Policies**	**Effect of Transition to A-IFRS**	**A-IFRS**
		$	**$**	**$**	**$**	**$**	**$**
Revenue from ordinary activities		525,428	-	525,428	1,023,182	-	1,023,182
		525,428	**-**	**525,428**	**1,023,182**	**-**	**1,023,182**
Employee benefits expense		(83,656)	-	(83,656)	(379,711)	-	(379,711)
Depreciation and amortisation expense		(34,423)	-	(34,423)	(74,422)	-	(74,422)
Borrowing costs expense		(4,636)	-	(4,636)	-	-	-
Write back/(down) of investment to recoverable amounts		(437,263)	-	(437,263)	(1,902,516)	-	(1,902,516)
Administration expenses		(179,826)	-	(179,826)	(232,507)	-	(232,507)
Consultancy costs		(244,381)	-	(244,381)	(342,330)	-	(342,330)
Occupancy expenses		-	-	-	(59,510)	-	(59,510)
Compliance and regulatory expenses		-	-	-	(70,004)	-	(70,004)
Corporate and other expenses from ordinary activities		(210,460)	-	(210,460)	-	-	-
Cost of equity investments disposed		(50,000)	-	(50,000)	(70,000)	-	(70,000)
Carrying value of plant and equipment disposed		-	-	-	(32,781)	-	(32,781)
Other expenses from ordinary activities		-	-	-	(16,465)	-	(16,465)
Write off of exploration assets	**(vi)**	(1,295,030)	-	(1,295,030)	(2,064,979)	(40,976)	(2,105,955)
		(2,539,675)	**-**	**(2,539,675)**	**(5,245,225)**	**-**	**(5,286,201)**
Loss before income tax		**(2,014,247)**	**-**	**(2,014,247)**	**(4,222,043)**	**(40,976)**	**(4,263,019)**
Income tax expense		**-**	**-**	**-**	**-**	**-**	**-**
Loss from continuing operations		**(2,014,247)**	**-**	**(2,014,247)**	**(4,222,043)**	**-**	**(4,263,019)**
Loss attributable to members of the parent entity		**(2,014,247)**	**-**	**(2,014,247)**	**(4,222,043)**	**(40,976)**	**(4,263,019)**

(v) Effect of A-IFRS on the Cash Flow Statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

(vi) Exploration Expenditure

Pre-acquisition expenditure on exploration tenements was capitalised previously under Australian GAAP, but does not qualify for capitalisation under AASB 6 “Exploration for and Evaluation of Mineral Resources”.

3. ACQUISITION OF SUBSIDIARIES

The parent entity acquired 100% of Mt Anketell Pty Ltd on 16 December 2005, the holder of the Cape Lambert Iron Ore project located in the Pilbara region of Western Australia. The purchase was satisfied by the issue of 36,656,799 shares at an issue price of $0.30 each, 140,000,000 options valued using the Black Scholes Option Pricing Model at $11,488,455, an initial option fee of $100,000 and the deferred cash payment of $8,902,960. The issue was based on the market price at the date of purchase.

	$
The purchase price was allocated as follows:	
Shares (36,656,799 @ $0.30)	10,997,040
Options – 30 Cents 31 October 2008	4,263,860
Options – 35 Cents 31 October 2009	4,069,787
Options – 40 Cents 31 October 2010	3,154,808
Deferred Cash consideration	8,902,960
Option Fee	100,000
Purchase consideration	31,488,455
Assets and liabilities acquired at acquisition date:	-
Goodwill on consolidation	31,488,455
Total	31,488,455

The directors have decided that it would not be appropriate to apply a fair value to the intangible assets acquired as they relate to pending licence applications for the Cape Lambert Iron Ore Project that had not been granted at the year end. At the date of this report the licences were still to be granted.

Pursuant to the share sale agreement between International Goldfields Ltd (IGL) and Mt Anketell Pty Ltd the Parties agreed that if ELA47/1462 is not granted with 12 months after the Execution Date, IGL may elect to rescind the Agreement and the parties will do all such things and acts so as to restore each party to the position it was in immediately prior to the transactions including the share portion of the consideration being bought back by the Company. In the event of recision, the $100,000 deposit and $400,000 of deferred consideration to be paid to the vendors is non refundable.

4. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2005 $	**30 June 2005 $**
Current		
Other Debtors	160,531	134,001
Term Deposit held on trust for Mt Anketell Acquisition	9,951,144	-
	10,111,675	134,001

5. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	Consolidated	
	31 December 2005 $	**30 June 2005 $**
Costs carried forward in respect of areas of interest in:		
Cost		
Accumulated impaired loss		
- Exploration and evaluation phases		
Opening balance	20,752,716	21,407,777
Exploration expenditure written off	(5,915,122)	(1,064,979)
Exploration expenditure	854,615	1,409,918
Exploration asset arising on acquisition of controlled entity during the period (i)	31,488,455	-
Write off of exploration expenditure asset arising on consolidation	(8,340,942)	(1,000,000)
- Exploration and evaluation phases	38,839,722	20,752,716
- Development phase		
Opening balance	3,057,692	832,778
Development expenditure	-	2,224,914
Development phase	3,057,692	3,057,692
- Exploration, evaluation and development (ii)	41,897,414	23,810,428

5. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE (Cont.)

(i) This amount relates to the purchase of Mt Anketell Pty Ltd. The exploration assets arising on consolidation comprise a number of licence applications for the tenements making up the Cape Lambert Iron Ore Project. As of the date of this report, the licences remain at an application stage and have yet to be approved. The directors recognise that there is inherent uncertainty regarding the outcome of the these applications although they are confident that they will be approved based on their previous experience of the licence application process

Notwithstanding this, the directors recognise that should the licences not be granted that there is uncertainty over whether the assets can be successful commercially realised.

(ii) Included in this sum is an amount of $628,874 (30 June 2005: $8.9million) representing valuation in excess of the carrying value of the exploration assets of IGL (Romania) Limited and Evanston Resources NL acquired on 11 July 2003 and implemented by way of scheme of arrangement (Scheme). This was supported by an Independent valuation by Wilkinson and Associates at the time of the merger. Under the terms of the Scheme, International Goldfields (Romania) Limited shareholders received six International Goldfields Limited (formerly Hamill Resources Limited) shares for every seven International Goldfields (Romania) Limited shares held.

A total of $8,340,942 has been written off exploration expenditure asset arising on consolidation in the half year to 31 December 2005.

At the date of this report, the Directors are of the opinion the amounts carried forward in respect of exploration, evaluation and development expenditure represents fair value over and above book value of the assets acquired.

6. SEGMENT INFORMATION

Primary reporting - Geographical Segments
The Economic Entity operates in two main geographical segments:

Australia
The home country of the parent entity which is also 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.

Primary Reporting – Geographical Segments **31 December 2005**	**$** Australia	**$** Romania	**$** Eliminations	**$** Consolidated
Revenues	121,252	-	-	121,252
Segment result (loss)	(15,550,250)	-	-	(15,550,250)
Segment assets	63,064,463	3,387,125	-	66,451,588
Segment liabilities	9,782,096	-	-	9,782,096

Primary Reporting – Geographical Segments **31 December 2004**	**$** Australia	**$** Romania	**$** Eliminations	**$** Consolidated
Revenues	197,670	127	-	197,797
Segment result (loss)	(1,013,026)	(1,001,221)	-	(2,014,247)
Segment assets	26,806,228	2,634,902	-	29,441,130
Segment liabilities	(770,440)	(38,098)	-	(808,538)

Business Segments

The Economic Entity operates solely in Mineral Exploration.

7. SECURITIES ISSUED DURING THE PERIOD

During the period the Company issued the following securities:

- On 15 December 2005 the Company issued 109,999,999 ordinary fully paid shares at 30 cents each pursuant to the Prospectus dated 21 November 2005 and the Share Sale Agreement with Mt Anketell.
- On 15 December 2005 the Company issued 74,171,605 free attaching 30 cent 31 October 2008 options pursuant to the Prospectus dated 21 November 2005.
- On 15 December 2005 the Company issued 50,000,000 35 cent 31 October 2009 options pursuant to the Share Sale Agreement with Mt Anketell.
- On 15 December 2005 the Company issued 40,000,000 40 cent 31 October 2010 options pursuant to the Share Sale Agreement with Mt Anketell.
- On 20 December 2005 the Company issued 12,500,000 free 30 cent 31 October 2008 options to Directors of the Company.

8. EVENTS SUBSEQUENT TO REPORTING DATE

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.

On 14 March 2006, the Company announced that it had sold its 16% stake in Canadian Gold Company NFX Gold Inc. (TSX: NFX) for AUD$4.1 million.

The Company retains 220,000 shares in NFX which are held in escrow until 14 June 2006 and at the date of this report the current market value of these shares is in excess of AUD$350,000.

Other than detailed above, no event has arisen since 31 December 2005, that would be likely to materially affect the operations of the consolidated entity, or its state of affairs not otherwise disclosed in the entity's financial report.

9. CONTINGENT LIABILITIES

Since the last annual reporting date, there have been no material changes in any contingent liabilities

CAPE LAMBERT IRON ORE LTD
(formerly International Goldfields Ltd)
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION
For the Half Year Ended 31 December 2005

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 27:

   (a) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and

   (b) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and its performance for the half-year ended on that date.

2. In the Directors' opinion there are reasonable grounds to believe that the Consolidated Entity 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.

Timothy Turner
Director

Dated this 16th day of March 2006

O|R|D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

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16th March 2006

The Board of Directors
Cape Lambert Iron Ore Limited
18, Oxford Close
Leederville
WA 6007

Dear Sirs

CAPE LAMBERT IRON ORE LIMITED AND CONTROLLED ENTITIES

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Cape Lambert Iron Ore Limited

As partner for the review of the financial statements of Cape Lambert Iron Ore Limited and controlled entities for the half year ended 31st December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and

- Any applicable code of professional conduct in relation to the review.

Yours faithfully
ORD PARTNERS

Ian Keith Macpherson
Partner

O|R|D PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

To the members of Cape Lambert Iron Ore Limited

Scope

We have reviewed the financial report of Cape Lambert Iron Ore Limited for the half-year ended 31 December 2005 as set out in pages 5 to 28. The company's directors are responsible for the financial report. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's declaration set out in page 29 of the financial report has not changed as at the date of providing our review opinion

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Cape Lambert Iron Ore Limited is not in accordance with:

(a) the Corporations Act 2001, including:

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(i) giving a true and fair view of the Consolidated Entity's financial position at 31 December 2005 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Inherent uncertainty regarding recoverability of exploration assets arising on acquisition

Without qualification of the opinion expressed above, attention is drawn to the following matter. Within exploration expenditure carried forward is an amount of $31,488,455 relating to exploration assets arising on the acquisition of Mt Anketell Pty Ltd. These assets comprise a number of exploration licence applications. As described in Note 3, there is significant uncertainty regarding the recoverability of the carrying value of the exploration assets acquired during the period. Should the pending licence applications be unsuccessful there is a likelihood that the acquisition contract will be rescinded and, as a result, the Company's ability to commercially exploit the underlying exploration assets will be adversely affected. As such there is an inherent uncertainty regarding the recoverability of the carrying value of this exploration expenditure currently capitalised on the Balance Sheet.

ORD PARTNERS
Chartered Accountants

IAN K MACPHERSON
Partner

Dated this 16th day of March 2006.
Perth, Western Australia