
REPORT FOR THE QUARTER ENDING 31 MARCH 2006

COMPANY HIGHLIGHTS

CAPE LAMBERT IRON ORE PROJECT

- On 27 March 2006, the Company announced it had received approval of the exploration licence (EL 47/1462) for the Cape Lambert Iron Ore Project enabling the Company to commence a Bankable Feasibility Study on the Project.
- On 21 March 2006 the Company announced it had signed a Memorandum Of Understanding (MOU) with Chinese steel company Sinosteel Corporation (Sinosteel) for the development of, and off-take from, the Cape Lambert Iron Ore Project located in the Pilbara region of Western Australia.

SPIN OFF OF GOLD ASSETS

On 28 March 2006 the Company announced it had received strong shareholder approval to finalise plans for the spin-off and approval for plans to list IGC's shares on the Australian Stock Exchange (ASX) through an initial public offering (IPO) of 20,000,000 shares at 20c per share, to raise up to \$4 million with an allowance for \$1 million in over subscriptions. The Offer has since closed fully oversubscribed, raising \$5million and is expected to proceed to Listing within the next week.

LISTING ON AIM

On 6 March 2006 the Company announced that it intended to apply for Admission on London Stock Exchange's AIM market via a fast-track compliance listing that is now expected to occur by 4 May 2006. Following the successful Admission on AIM, the Company's shares will be dual listed on the Australian and UK (AIM) stock markets.

SALE OF NFX GOLD STAKE FOR AUD\$4 MILLION

On 14 March 2006, the Company announced it had sold its 16% stake in Canadian Gold Company NFX Gold Inc. (TSX: NFX) for AUD\$4.1 million. The sale represented an AUD\$3.5 million profit (based on carrying value at 30 June 2005) for CFE.

QUARTERLY REPORT FOR THE PERIOD ENDING 31ST MARCH 2006

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.

On 27 March 2006, the Company announced it had received approval of the exploration licence (EL 47/1462) for the Cape Lambert Iron Ore Project enabling the Company to commence a Bankable Feasibility Study on the Project.

SIGNS MOU WITH SINOSTEEL FOR DEVELOPMENT AND OFF-TAKE AGREEMENT

On 21 March 2006 the Company announced it had signed a Memorandum Of Understanding (MOU) with Chinese steel company Sinosteel Corporation (Sinosteel) for the development of, and off-take from, the Cape Lambert Iron Ore Project located in the Pilbara region of Western Australia.

As part of the MOU, Sinosteel and Cape Lambert would negotiate a commercial agreement to purchase up to 100% of the off-take from the Cape Lambert Iron Ore Project, expected to be in the range of five to ten million tonnes per annum, and also continue formal negotiations regarding a Joint Venture (JV) agreement for the development of this project.

Cape Lambert and Sinosteel are currently developing a time-table to negotiate and execute a Formal Agreement which will include, among other things, JV obligations, detail product specifications, annual quantity, delivery schedule, pricing and payment terms.

The Company welcomes the signing of the MOU with Sinosteel, particularly as Sinosteel represents 18 major steel mills in China, last year traded more than 20 million tonnes of iron ore and has historical links to the Pilbara.

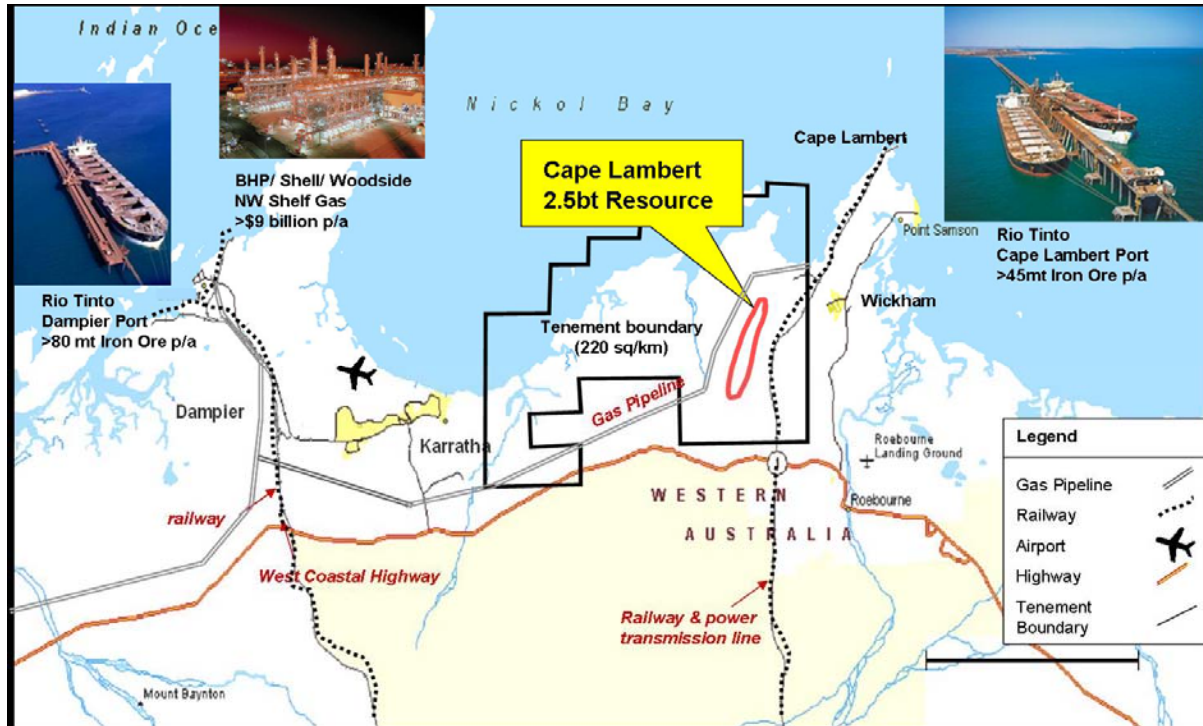
The Company advised that the MOU announced on 21 March 2006 is not a binding or exclusive agreement, and as such the Company is continuing its negotiations with Chinese trading group Shandong Yuansheng International Trading Co Ltd (Shandong), who are continuing to seek an equity position in the Company and an off-take agreement for up to 100% of the iron ore concentrate to be produced from the project.

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



CORPORATE

LISTING ON AIM

On 6 March 2006 the Company announced that it intended to apply for Admission on London Stock Exchange's AIM market via a fast-track compliance listing that is now expected to occur by 4 May 2006. Following the successful Admission on AIM, the Company's shares will be dual listed on the Australian and UK (AIM) stock markets.

The Company is proposing to list its securities on AIM for the purpose of maintaining and enhancing its global profile and gaining greater exposure and access to European-based capital, enhancing the fundraising ability of the Company.

Cape Lambert has engaged Collins Stewart as its nominated advisor and broker. Collins Stewart has been the Number 1 fundraiser on AIM during the period 2001-2005, with 47 floats raising circa £1.7bn. In 2005, it raised total funds of £1.2bn on 36 deals for its clients, and successfully completed 24 IPOs, raising £1bn. Through its offices in New York, Paris, Dublin, Geneva and Milan, it is also able to provide access to investors beyond the UK.

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 ("**IGC**") which will hold the Company's Mt Ida, Evanston projects and other non core gold assets.

On 28 March 2006 the Company announced it had received strong shareholder approval to finalise plans for the spin-off and approval for plans to list IGC's shares on the Australian Stock Exchange (ASX) through an initial public offering (IPO) of 20,000,000 shares at 20c per share, to raise up to \$4 million with an allowance for \$1 million in over subscriptions. The Listing is expected to be completed within the next 2 weeks.

SALE OF NFX GOLD STAKE FOR AUD\$4 MILLION

On 14 March 2006, the Company announced it had sold its 16% stake in Canadian Gold Company NFX Gold Inc. (TSX: NFX) for AUD\$4.1 million. The sale represented an AUD\$3.5 million profit (based on carrying value at 30 June 2005) for CFE.

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

RESIGNATION OF DIRECTOR

On 31 March 2006, the Company advised that it had accepted the resignation of Mr. Peter Del Fante from his position as Director of Cape Lambert Iron Ore Ltd. The Company hopes to retain Peter in his capacity as consultant to the Company on matters relating to our tenements, native title and heritage issues should his time allow.

SUMMARY

The Board believes that the acquisition of the Cape Lambert Iron Ore project, the AIM Listing and the near complete 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 and 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

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

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2006

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors		
1.2 Payments for		
(a) exploration and evaluation	(291)	(1,375)
(b) development	-	-
(c) production	-	-
(d) administration	(683)	(965)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	254	307
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid		
1.7 Other	2	2
Net Operating Cash Flows	(718)	(2,031)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(200)	(200)
(c) other fixed assets	(51)	(54)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	4,158	4,315
(c) other fixed assets	-	-
1.10 Loans to other entities	(123)	(123)
1.11 Loans repaid by other entities	-	-
1.12 Other – Deposits held in Trust	-	(9,951)
Net investing cash flows	3,784	(6,013)
1.13 Total operating and investing cash flows (carried forward)	3,066	(8,044)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	3,066	(8,044)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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	(800)	(2,030)
	Net financing cash flows	(800)	19,973
	Net increase (decrease) in cash held	2,266	11,929
1.20	Cash at beginning of quarter/year to date	10,718	1,055
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	12,984	12,984

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	-	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	400
4.2	Development	-
Total		400

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	10,718
5.2	Deposits at call	8,491
5.3	Bank overdraft	-
5.4	Other (provide details)	
Total: cash at end of quarter (item 1.22)		12,984

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	Interests in mining tenements acquired or increased			

+ 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 Preference securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	249,164,530	249,164,530		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <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				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>				
7.12 Unsecured notes <i>(totals only)</i>				

+ See chapter 19 for defined terms.

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: Date: .28 April 2006...
(Director/Company secretary)

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.