Cape Lambert Iron Ore Ltd

16 May 2006

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

# CAPITAL GAINS TAX COST BASE ALLOCATION

On 27 March 2006 Cape Lambert Iron Ore ("CFE") Shareholders approved the distribution in specie of shares in International Goldfields Limited ("IGC"). The in specie distribution was conditional on IGC receiving conditional approval to list on ASX. IGC received conditional approval to list on 27 April 2006 and we despatched holding statements in respect to your allocation of shares in IGC resulting from the distribution in specie approved at the CFE Shareholder Meeting held on 27 March 2006. All CFE Shareholders registered on the record date of 3 April 2006 received an in specie distribution of one IGC share for each 8.8 CFE shares held (rounded up) as a result of a reduction in CFE's share capital ("Capital Reduction").

In section 3.12 of the Explanatory Statement accompanying the Notice of Meeting, we summarised the expected taxation consequences to Australian resident Shareholders of the distribution. It was noted that the capital gains tax ("CGT") cost base and reduced cost base of the CFE shares and IGC shares should be determined individually by each CFE shareholder through the reasonable apportionment of the cost base of the CFE shares held immediately before the Capital Reduction between the CFE and the IGC shares held by that CFE shareholder immediately after the Capital Reduction. It was also noted that we would provide guidance to Shareholders about the calculation of the cost base of IGC and CFE shares once the Capital Reduction has been made.

To calculate the cost base of your IGC shares, you will need to apportion the cost base of your original CFE shares (those that you held at the time of the distribution) between the CFE shares and the IGC shares distributed to you in accordance with their respective market values at the time. The cost base of your CFE shares will be the amount you originally paid for these shares at the time you initially acquired your shareholding in CFE. This amount will obviously be different for each individual shareholder.

CFE considers that the value, at the relevant time, of IGC shares distributed to Shareholders represented 3.9% of the total value of CFE. As a result, 3.9% of the cost base of your CFE shares will be deducted from that cost base and will become the cost base of your IGC shares.

Cape Lambert Iron Ore Ltd ABN 71 095 047 920
18 Oxford Close, Leederville Western Australia 6007 PO Box 144, West Perth Western Australia 6872
Phone: +61 8 9380 9555 Facsimile: +61 8 9380 9666 www.capelam.com.au

Examples:

The following examples illustrate the operation of the demerger.

Example 1

You held 50,000 CFE shares for which the cost base was $10,000 (20 cents per share).

You received 5,682 shares in IGC in the distribution (1 for every 8.8 CFE shares, rounded up).

The cost base of your IGC shares will be 3.9% of $10,000, which is $390 or approximately 6.9 cents per share for 5,682 IGC shares.

The cost base of your CFE shares will be reduced to 96.1% of $10,000, which is 9,610 or 19.2 cents per share for 50,000 CFE shares.

Example 2

You held 150,000 CFE shares for which the cost base was $40,000 (26.7 cents per share).

You received 17,046 shares in IGC in the distribution (1 for every 8.8 CFE shares, rounded up).

The cost base of your IGC shares will be 3.9% of $40,000, which is $1,560 or approximately 9.2 cents per share for 17,046 IGC shares.

The cost base of your CFE shares will be reduced to 96.1% of $40,000, which is 38,440 or 25.6 cents per share for 150,000 CFE shares.

For capital gains tax purposes, the acquisition date of your IGC shares will be the time they were distributed to you i.e. 27 April 2006.

The demerger provisions of the tax law are complex and the above summary should not be viewed as a complete description of all the potential tax consequences of the distribution. Shareholders should seek their own independent tax advice about the implications of the receipt of IGC shares.

Should there be any queries in respect to the above matters please do not hesitate to contact the writer.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Chairman

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