REPORT FOR THE QUARTER ENDING 30 SEPTEMBER 2006

COMPANY HIGHLIGHTS

CAPE LAMBERT IRON ORE PROJECT	Drilling commenced at Cape Lambert in early July toward preparation of a bankable feasibility study.
DTR TEST WORK	Initial DTR results indicate that beneficiation can produce a commercial Magnetite concentrate.
MANAGEMENT APPOINTMENTS	During August the Company announced it had appointed two new members of senior management. Mr Joe Ariti to the position of General Manager Projects and Mr Warren Gilhome to assist with the marketing of the product.
CORPORATE	Post Quarter Announcements: ■ On 17 October 2006, the Company announced Xinxing Iron Pipes Co., Ltd a Chinese corporation signed an MOU confirming its intention to consider a significant equity stake in Cape Lambert. ■ On 11 October 2006, the Company announced a farm-out agreement with regard to the Sacu Project in Romania.

QUARTERLY REPORT FOR THE PERIOD ENDING 30 SEPTEMBER 2006

CAPE LAMBERT IRON ORE PROJECT

Resource Definition Drilling

Resource definition drilling at the Project commenced in early July within the Central Target Area. Up to and including 22 October, the Company had completed 38 reverse circulation ("RC") holes for a total advance of 9,300 metres. All holes have been collared vertically. Significant drill results for the first nine (9) holes (MA183 – MA191) were released to the market on 28 September 2006. The Company has since received the results for drill holes MA192 and MA193, and significant intercepts are summarised in Table 1.

Table 1: Significant Intercepts for drill holes MA183 to MA193

Hole_ID	MGA_94		Intercept details			Fe (%)	SiO_2 (%)	P (%)	Mineralised unit
	Easting	Northing	From (m)	To (m)	Interval (m)				
MA183*	509457.9	7707554.6	96	132	36	36.1	37.3	0.01	Lower
MA184	509421.0	7707619.9	56	144	88	35.6	37.4	0.03	Lower
MA185	509878.9	7707689.5	60	180	120	32.9	39.9	0.03	Upper
MA186	509706.8	7707901.3	88	160	72	33.8	39.2	0.02	Lower
MA187	509607.7	7707332.5	48	116	68	33.7	39.8	0.03	Upper
			136	265	129	31.9	38.9	0.03	Lower
MA188	509126.3	7707349.0	16	92	76	33.5	42.2	0.03	Lower
MA189	509761.2	7708547.6	88	144	56	33.9	40.0	0.03	Lower
MA190	509470.5	7709653.3	4	100	96	34.8	39.3	0.03	Lower
MA191	509397.9	7709756.6	16	80	64	31.6	40.6	0.03	Lower
MA192	509506.2	1170300.0	152	244	92	33.1	39.0	0.02	Lower
MA193	509382.9	7710473.4	164	212	48	31.8	37.9	0.02	Lower

* Hole abandoned in mineralization due to caving.

Notes:
1. all holes vertical
2. 4m composite samples
3. minimum cut-off grade 30% Fe
4. maximum internal waste 8m
5. minimum intersection 20m

DTR Test Work

Initial results from resource definition Davis Tube Recovery ("DTR") test work have now been received.

The DTR test work is ongoing and is being conducted on selected 4 metre composite samples from the current RC drilling program at the Project.

A total of 986 samples have been submitted to AMDEL Limited's Mineral Services laboratory in South Australia for DTR determination. Of the 986 samples submitted, results for 671 samples remain to be received with an average laboratory turnaround of 52 days for a batch of approximately 60 samples. To improve laboratory DTR sample turnaround, the Company has worked closely with Perth based Independent Metallurgical Laboratories Pty Ltd ("IML") to access a second DTR testing facility. IML's DTR testing facility is now operational, and the Company submitted its first batch of samples in early October.

The initial DTR results indicate that beneficiation of magnetite dominant Iron (Fe) mineralisation can be achieved to produce an acceptable Fe concentrate. Important DTR concentrate characteristics are as follows;

- Weight recovery: 33.6%
- Fe grade: 64.8%
- Silica (SiO_2): 7.4%
- Alumina (Al_2O_3): 0.5%
- Phosphorus (P): <0.01%

The averages above have been compiled from 8 holes representing 344 metres of mineralisation (86, four metre composite samples). DTR details for each of the eight (8) holes and the interval tested are shown in Table 2. No optimisation of the DTR test parameters has been undertaken, e.g. reducing or increasing the 100% passing size. A number of Fe intercepts did not respond well to DTR testing and this is believed to be related to the presence of non-magnetic iron minerals. Mineralogical analysis of these intercepts has commenced.

The DTR test work is part of the 2006 resource definition program aimed at defining the extent and geometry of the resource, and the portion of the resource that can be recovered to a saleable Fe concentrate. At the completion of the 2006 program, all results will be analysed and preliminary open pit mining studies undertaken to define the resource captured within an open pit shell. A detailed infill drilling and flow sheet metallurgical test work program on the in-pit resource will follow during 2007. This will involve diamond drilling to recover core for mining geotechnics, crushing and grinding tests, and bench scale magnetic beneficiation tests.

Table 2: Summary Results from Initial Davis Tube Recovery Test Work

Hole_ID	MGA_94		Sample (m)			DTR results				
	Easting	Northing	From	To	Interval	Recoverable Mag Wt (%)	Fe grade (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)
MA184	509421	7707620	80	104	24	42.6	63.4	8.7	0.28	<0.01
MA187	509608	7707333	108	128	20	23.1	65.4	7.0	0.63	<0.01
			136	164	28	34.4	63.5	9.0	0.41	<0.01
MA188	509126	7707349	64	96	32	26.6	64.9	6.9	1.03	<0.01
MA189	509761	7708548	96	140	44	41.0	64.4	8.2	0.49	<0.01
MA190	509471	7709653	4	88	84	30.0	65.8	6.0	0.29	<0.01
MA191	509398	7709757	64	80	16	37.2	66.0	5.8	0.47	<0.01
MA192	509506	7710300	256	288	32	32.4	62.4	8.9	0.78	<0.01
MA193	509383	7710473	180	244	64	31.9	62.5	8.8	0.61	<0.01
Arithmetic Averages						**33.6**	**64.8**	**7.4**	**0.51**	**<0.01**

SENIOR MANAGEMENT APPOINTMENTS

On 17 August, the Company announced the appointment of Mr Joe Ariti to the position of General Manager - Projects. Mr Ariti will oversee the Bankable Feasibility Study (BFS) and it is intended that he will also oversee construction and commissioning of the works following successful completion of a BFS.

Mr Ariti is a professional metallurgist with over 20 years experience in technical, management, general management and executive roles in assessing, developing and managing mining projects and companies in the resources industry, both in Australia and overseas. He has demonstrated executive management, leadership and team building skills, and has a track record of establishing and sustaining collaborative and effective relationships at all levels both internal and external to the organisation under his employ. His strong commercial acumen with a focus on maximising value, complemented with a clear understanding of capital markets, compliance and governance issues will be of great value to the Company.

Mr Warren Gilhome was engaged to assist with marketing of the product.

Warren Gilhome has more than 30 years experience in the iron ore industry. A geologist by training, he occupied exploration and operational positions with Hamersley Iron and, after transferring to Hamersley's marketing division, took responsibility for sales and marketing in China, Korea and Taiwan. While based in Hong Kong, he established Hamersley's full time presence in the Peoples Republic of China.

MOU FOR ENGINEERING WORKS & PROJECT MANAGEMENT SIGNED

During August the Company signed an MOU with Calibre Projects, a provider of engineering and project management services.

CORPORATE

MOU FOR EQUITY STAKE AS PART OF OFF-TAKE AGREEMENT

On 17 October 2006, the Company announced Xinxing Iron Pipes Co., Ltd signed an MOU confirming its intention to take a significant equity stake of up to 57 million shares or 19.9% of the issued capital, whichever is the higher, in Cape Lambert.

Xinxing is a Scezhwen Stock Exchange listed company, one of the largest Chinese steel pipe manufactures and the worlds second largest with an annual turnover in excess of US$1.3 billion.

The acquisition of equity will grant Xinxing "first right of refusal" to negotiate an off-take agreement for magnetite concentrate from the Cape Lambert Iron Ore Project.

ROMANIAN GOLD/COPPER PROJECT ('SACU") FARM-OUT

On 11 October 2006, the Company announced it had signed a farm-out agreement with Spalding Ltd ("Spalding") for the Company's Sacu gold/copper Project, located in the "Golden Quadrilateral" area of Romania.

Under the terms of the agreement, Spalding can earn 80% of this highly prospective gold/copper project in a known mineralisation province through the expenditure of US$2million over a period of two (2) years.

Spalding will pay Cape Lambert a US$10,000 option fee immediately and conduct due diligence on the project for a period of 30 days.

At the completion of the due diligence period, Spalding must pay Cape Lambert a further US$10,000. The remainder of the balance will be met through a drilling programme, which will commence in November 2006.

The technical information in this report is based on information complied by Frans Voermans who is a Fellow and Chartered Professional of The Australasian Institute of Mining and Metallurgy. Mr Voermans has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Voermans consents to the inclusion in this report of the matters based on his information in the form and the context in which it appears.

Tony Sage
Executive Director

About Cape Lambert

The Cape Lambert iron ore project is located on Exploration License 47/1462. The license 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, two (2) gas pipelines, power transmission lines, a railway and is approximately 10km from the coast.

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