31 October 2006

The Company Announcements Office
Australian Stock Exchange Limited

Via E Lodgement

NOTICE OF ANNUAL GENERAL MEETING AND 2006 ANNUAL REPORT

Please find attached the Notice of Meeting and Annual Report despatched to shareholders.

Yours faithfully

CAPE LAMBERT IRON ORE LTD

Tony Sage
Executive Director

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

Cape Lambert Iron Ore Limited

ABN 71 095 047 920

NOTICE OF ANNUAL GENERAL MEETING

– and –

EXPLANATORY STATEMENT

DATE AND TIME OF MEETING:
28 November 2006 at 9.00am

VENUE:
Holiday Inn City Centre Perth
778-788 Hay Street
Perth WA 6000

These documents should be read in their entirety. If Shareholders are in any doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional advisor.

Cape Lambert Iron Ore Limited
ABN 71 095 047 920

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Cape Lambert Iron Ore Limited
ABN 71 095 047 920

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of the members of Cape Lambert Iron Ore Limited (**"Cape Lambert Iron Ore" or the "Company"**) will be held at Holiday Inn City Centre, 778-788 Hay Street, Perth, Western Australia 6000, at 9.00am, 28 November 2006.

The Explanatory Statement that accompanies and forms part of this Notice of Meeting describes in more detail the matters to be considered.

AGENDA

ORDINARY BUSINESS

To receive and consider the financial report of the Company for the period ended 30 June 2006 and the reports by directors and auditors thereon.

To consider and, if thought fit, to pass, with or without modification, the following ordinary resolutions:-

1. Ordinary Resolution 1: "To re-elect a Director"

To re-elect as a director Mr Ian Burston who retires in accordance with Clause 12.4 of the Company's Constitution and, being eligible, offers himself for re-election.

2. Ordinary Resolution 2: "To re-elect a Director"

To re-elect as a director Mr Brian Maher who retires in accordance with Clause 12.4 of the Company's Constitution and, being eligible, offers himself for re-election.

3. Ordinary Resolution 3: "To re-elect a Director"

To re-elect as a director Mr Tony Sage who retires in accordance with Clause 12.2 of the Company's Constitution and, being eligible, offers himself for re-election.

4. Ordinary Resolution 4: "Adoption of Remuneration Report (Non-binding)"

To adopt, for the purposes of Section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report."

Short Explanation: The Corporations Act provides that a resolution that the remuneration report be adopted must be put to vote at a listed company's annual general meeting. The vote on Resolution 4 is advisory only and does not bind the Directors or the Company.

5. Ordinary Resolution 5: "Issue of Options to Brokers, Consultants and Staff"

"That for the purposes of Listing Rule 7.1 of the ASX Listing Rules and for all other purposes, approval is given for the Company to allot and issue up to 7,000,000 Options to brokers, consultants and staff for services provided to the Company, on the further terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

6. Ordinary Resolution 6: "Issue of Options to Mr Ian Burston"

"That for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 10,000,000 Options to Mr Ian Burston (or his nominee(s)), on the further terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Ian Burston and any of his associates.

7. Ordinary Resolution 7: "Issue of Options to Mr Tony Sage"

"That for the purposes of Listing Rule 10.11 of the ASX Listing Rules, Section 208 of the Corporations Act and for all other purposes, approval is given for the Company to allot and issue 6,000,000 Options to Mr Tony Sage (or his nominee(s)), on the further terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Tony Sage and any of his associates.

8. Ordinary Resolution 8: "Appointment of Ernst & Young as auditors of the Company"

"That Ernst & Young be appointed as auditors of the Company, with effect from the end of the meeting and the Directors be authorised to set their remuneration, subject to ASIC approval."

Short Explanation: Following the resignation of Ord Partners as auditors of the Company, the Directors seek to appoint Ernst & Young as auditors of the Company. Pursuant to Section 328 of the Corporations Act 2001, Ernst & Young, having been nominated by a Shareholder, consent to act as auditors of the Company and seek Shareholders approval to be appointed auditors of the Company.

PROXIES

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote instead of the member. If two proxies are appointed, and a member does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half the votes. A proxy need not be a member of the Company.

2. In order to vote on behalf of a company that is a Shareholder of the Company, a valid Power of Attorney in the name of the attendee, must be either lodged with the Company prior to the Meeting, or be presented at the Meeting before registering on the attendance register for the Meeting.

3. Forms to appoint proxies, and the Power of Attorney (if any) under which they are signed, must be lodged at the registered office of the share registry, at 110 Stirling Hwy, NEDLANDS WA 6009, or by facsimile (+61 8) 9389 7871 not less than 48 hours before the time of the Meeting or resumption of an adjourned meeting at which the person named in the instrument proposes to vote.

4. An instrument appointing a proxy:

   a) shall be in writing under the hand of the appointor or of his attorney, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney;

   b) may specify the manner in which the proxy is to vote in respect of a particular resolution and, where an instrument of proxy so provides, the proxy is not entitled to vote on the resolution except as specified in the instrument;

   c) shall be deemed to confer authority to demand or join in demanding a poll; and

   d) shall be in such form as the Directors determine and which complies with Section 250A of the Corporations Act 2001 and the Listing Rules;

ATTENDANCE AND VOTING ELIGIBILITY

For the purpose of regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that Shares held at 5.00pm WST on 24 November 2006 will be taken, for the purposes of this Annual General Meeting, to be held by the persons who held them at that time.

VOTING EXCLUSION

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

BY ORDER OF THE BOARD

Tim Turner
Director/Secretary
Dated: 12 October 2006

Cape Lambert Iron Ore Limited
ABN 71 095 047 920

EXPLANATORY STATEMENT

INTRODUCTION

This Explanatory Statement has been has been prepared for the information of Shareholders of Cape Lambert Iron Ore Limited **("Cape Lambert Iron Ore"** or the **"Company")** in connection with Resolutions 1 to 8 of the Annual General Meeting (**Meeting** or **Annual General Meeting**) of members to be held at Holiday Inn City Centre Perth, 778-788 Hay Street, Perth, Western Australia 6000, at 9.00am, 28 November 2006.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting.

1. RESOLUTION 1: "TO RE-ELECT A DIRECTOR"

Resolution 1 seeks approval for the election of Mr Ian Burston, who retires in accordance with Clause 12.4 of the Company's Constitution and, being eligible, offers himself for re-election as a Director of the Company, with effect from the end of the Meeting.

Dr Burston has exceptional skills in resource management and has more than 30 years of top-level experience in extractive and related industries. Dr Burston holds a Bachelor of Engineering (Mech) degree from Melbourne University and a Diploma in Aeronautical Engineering from Royal Melbourne Institute of Technology. He has completed the Insead Management Paris and the Harvard Advanced Management Program in Boston.

Formerly Dr Burston has held positions as Managing Director of Portman Limited, Managing Director and Chief Executive Officer of Aurora Gold Ltd, Chief Executive Officer of Kalgoorlie Consolidated Mines Pty Ltd, Vice President – WA Business Development CRA Ltd and Managing Director Hamersley Iron Pty Ltd. He was a non-executive Director of the Esperance Port Authority for ten years. Dr Burston is currently a non-executive Chairman of Broome Port Authority, Aztec Resources Limited and Imdex Ltd, and a non-executive Director of Mincor Resources NL and AVIVIA Corp Ltd.

2. RESOLUTION 2: "TO RE-ELECT A DIRECTOR"

Resolution 2 seeks approval for the election of Mr Brian Maher, who retires in accordance with Clause 12.4 of the Company's Constitution and, being eligible, offers himself for re-election as a Director of the Company, with effect from the end of the Meeting.

Mr Maher has over 40 years experience in the mining industry, covering both underground and open cut operations, as a miner, supervisor, mining engineer, mine manager consultant, contractor and managing director. He has worked throughout the world, including Australia, Liberia, Guyana and the Philippines. He has spent over 12 years in the iron ore industry.

Mr Maher has a Bachelor of Mining Engineering from the University of Melbourne, and is a fellow of both the Australian Institute of Mining and Metallurgy and The Institution of Mining and Metallurgy. Mr Maher has held senior management positions with leading mining and engineering companies throughout the world including Hamersley Iron, Broken Hill South, Griffin Coal, Thyssen Mining Construction, Lameco Iron Ore, Kinhill Engineers, Linden Mining, Minproc Engineers and Nissho Iwai Mineral Sands.

3. RESOLUTION 3: "TO RE-ELECT A DIRECTOR"

Resolution 3 seeks approval for the election of Mr Tony Sage, who retires by rotation in accordance with Clause 12.2 of the Company's Constitution and, being eligible, offers himself for re-election as a Director of the Company, with effect from the end of the Meeting.

Mr Sage has in excess of 21 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 13 years. Mr Sage was a founding Director of International Goldfields Limited and its merger partner Hamill Resources Limited (the merged entity now being Cape Lambert Iron Ore Limited). Mr Sage is also a Director of currently listed International Goldfields Limited (ASX Code IGC).

4. RESOLUTION 4: "REMUNERATION REPORT"

In accordance with Section 250R(2) of the Corporations Act, the Company must put a resolution that the Remuneration Report be adopted to vote at the Annual General Meeting. The vote on Resolution 4 is advisory only and does not bind the Directors or the Company.

The Remuneration Report includes all of the information required by Section 300A of the Corporations Act, including:

- board policy for determining, or in relation to, the nature and amount (or value, as appropriate) of remuneration of directors, secretaries and senior managers of the Company; and
- discussion of the relationship between such policy and the Company's performance; and the prescribed details in relation to the remuneration of each Director and certain executives.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

5. RESOLUTION 5: "ISSUE OF OPTIONS TO BROKERS, CONSULTANTS AND STAFF"

Resolution 5 seeks Shareholder approval for the allotment and issue of Options to brokers, consultants and staff in consideration for services provided.

ASX Listing Rule 7.1 provides that the prior approval of the Shareholders of the company is required for the issue of equity securities which exceeds 15% of the number of Shares on issue at the commencement of that 12 month period. One exception to the rule is where prior Shareholder approval is obtained for the issue of the securities.

Accordingly, Shareholder approval is sought for the issue of 7,000,000 Options to brokers, consultants and staff.

The following information is provided in relation to Resolution 5 pursuant to and in accordance with Listing Rule 7.3:

(a) the maximum number of securities to be issued is 7,000,000 Options;

(b) the Options will be issued no later than three (3) months after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment will occur on the same date;

(c) the Options do not have an issue price as they will be issued to brokers, consultants and staff in consideration for their services to the Company. Accordingly, no funds will be raised from the issue;

(d) the Options will be issued to the brokers, consultants and staff who provide services to the Company at the discretion of the Directors. None of the allottees will be related parties of the Company;

(e) an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement; and

(f) the terms and conditions of the Options are set out in Annexure "A" to the Explanatory Statement.

6. RESOLUTION 6: "ISSUE OF OPTIONS TO MR IAN BURSTON"

Resolution 6 seeks Shareholder approval for the issue of 10,000,000 Options to Mr Ian Burston (or his nominee(s)).

Shareholder approval of the grant of the Options the subject of Resolution 6 is sought for the purposes of:

1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a company; and

2. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without Shareholder approval.

The object of Resolution 6 is to provide Mr Burston with a mechanism to participate in the future development of the Company and an incentive for his future commitment to the Company.

If Shareholder approval is obtained, the options will be granted within 1 month of the Meeting.

Terms of Options

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a "related party" of the Company (such as a director) unless either:

(a) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or

(b) prior Shareholder approval is obtained to the giving of the benefit.

The object of Part 2E.1 of the Corporations Act is the protection of public companies resources.

For the purposes of Part 2E.1, Mr Burston is considered to be a related party of the Company and, therefore, the proposed grant of Options to him (or his nominee(s)) requires prior Shareholder approval.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of options:

1. being a Director, Mr Burston is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee, section 228(4) of the Corporations Act);

2. the nature of the financial benefit to be given is the grant of 10,000,000 Options on the terms set out in Annexure "A" to the Explanatory Statement;

3. Mr Burston currently receives an annual emolument of $375,000 per annum (exc. GST) for the provision of Executive Director services to the Company.

4. Mr Burston currently has a beneficial interest in the following securities of Cape Lambert Iron Ore Limited:

	Number	Percent of Issued Capital
• Fully paid ordinary shares:	500,000	0.20%

5. Mr Burston is not entitled, and does not wish, to make a recommendation to Shareholders regarding Resolution 6 on the basis that he has an interest in the outcome of the Resolution;

6. Messrs Sage, Maher and Turner recommend that Shareholders vote in favour of Resolution 6 on the basis the Options to be granted provide Mr Burston with an appropriate incentive for his future commitment to the Company. Messrs Sage, Maher and Turner have no interest in the outcome of Resolution 6. Messrs Sage, Maher and Turner considered Mr Burston's experience, the current market price of Shares and current market practice when determining the number and exercise price of the Options to be issued to Mr Burston;

7. the Options are to be granted for no cash consideration;

8. an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;

9. neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:

   (a) if all the options the subject of Resolutions 5, 6 and 7 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 9.22% (based on the existing number of Shares). <u>The Company will, however, receive subscription monies totalling $14,150,000 upon the exercise of the Options.</u> If, however, only the Options, the subject of this Resolution 6, are exercised, then the Company's fully paid share capital will be diluted by approximately 4.01% (based on the existing number of Shares). <u>The Company will, however, receive subscription monies totalling $8,950,000 upon the exercise of the Options.</u>

   (b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;

   (c) the primary purpose of the grant of Options is to provide an incentive to Mr Burston whilst maintaining cash reserves. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 6; and

   (d) the Board, with the exclusion of Mr Burston, has examined carefully the remuneration package of Mr Burston to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives in similar roles to Mr Burston as Executive Chairman of Cape Lambert Iron Ore.

   Based on the examination, the Board has concluded that the totality of Mr Burston's remuneration package, including the equity component of 10,000,000 Options now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of Cape Lambert Iron Ore, in light of Mr

Burston's management experience and knowledge of the mineral exploration industry.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain Shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the company.

If Resolution 6 is passed, securities will be issued to Mr Burston who is a related party of the Company.

Accordingly, approval for the issue of Options is required pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Mr Burston as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Burston will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 6:

a. the maximum number of Options to be issued to Mr Burston is 10,000,000;

b. the Options will be issued for no cash consideration;

c. the Options will be issued no later than one month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;

d. no funds will be raised from the issue of the Options as the purpose of the issue is to give Mr Burston an incentive to provide dedicated and ongoing commitment to the Company whilst maintaining cash reserves; and

e. the Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.

7. RESOLUTION 7: "ISSUE OF OPTIONS TO MR TONY SAGE"

Resolution 7 seeks Shareholder approval for the issue of 6,000,000 Options to Mr Tony Sage (or his nominee(s)).

Shareholder approval of the grant of the options the subject of Resolution 7 is sought for the purposes of:

1. Part 2E.1 of the Corporations Act, which governs the giving of financial benefits to directors and other "related parties" of a company; and

2. ASX Listing Rule 10.11, which provides that, subject to certain exceptions (none of which are relevant here), a company must not issue or grant securities to a director without Shareholder approval.

The object of Resolution 7 is to provide Mr Sage with a mechanism to participate in the future development of the Company and an incentive for his future commitment to the Company.

If Shareholder approval is obtained, the options will be granted within 1 month of Shareholder approval.

Terms of Options

Subject to Shareholder approval, the Options will be granted on the terms and conditions set out in Annexure "A" to this Explanatory Statement.

Part 2E.1 of the Corporations Act

Part 2E.1 of the Corporations Act prohibits the Company from giving financial benefit to a "related party" of the Company (such as a director) unless either:

(c) the giving of the financial benefit falls within one of the nominated exceptions to the relevant provisions of the Corporations Act; or

(d) prior Shareholder approval is obtained to the giving of the benefit.

The object of Part 2E.1 of the Corporations Act is the protection of public companies resources.

In accordance with the requirements of Part 2E.1 and, in particular, sections 219 and 221 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed grant of options:

- being a Director, Mr Sage is a related party of the Company to whom the financial benefit would be given by virtue of section 228(2)(a) of the Corporations Act (or in the case of his nominee, section 228(4) of the Corporations Act);
- the nature of the financial benefit to be given is the grant of 6,000,000 Options on the terms set out in Annexure "A" to this Explanatory Statement;
- For the purposes of Part 2E.1, Mr Sage is considered to be a related party of the Company (as he is a Director) and, therefore, the proposed grant of Options to him (or his nominee(s)) requires prior Shareholder approval.
- Mr Sage (through his controlled entity, Okewood Pty Ltd) currently receives an annual emolument of $375,000 per annum (exc. GST), for the provision of Executive Director services to the Company.

  Mr Sage currently has a beneficial interest in the following securities of Cape Lambert Iron Ore Limited:

	Number	Percent of Issued Capital
Fully paid ordinary shares:	11,930,075	4.78%
27.7 cent options expiring 31 October 2008	9,960,000	

- Mr Sage is not entitled, and does not wish, to make a recommendation to Shareholders regarding Resolution 7 on the basis that he has an interest in the outcome of the Resolution;
- Messrs Burston, Maher and Turner recommend that Shareholders vote in favour of Resolution 7 on the basis the Options to be granted provide Mr Sage with an appropriate incentive for his future commitment to the Company. Messrs Burston, Maher and Turner have no interest in the outcome of Resolution 7. <u>Messrs Burston, Maher and Turner considered Mr Sage's experience, the current market price of Shares and current market practice when determining the number and exercise price of the Options to be issued to Mr Sage;</u>
- the Options are to be granted for no cash consideration;
- an estimate of the value of the Options is set out in Annexure "B" to this Explanatory Statement;

- neither the Directors nor the Company are aware of any other information that would be reasonably required by Shareholders to make a decision as to whether it is in the best interests of the Company to pass the Resolution other than as follows:

  (a) if all the options the subject of Resolutions 5, 6 and 7 are granted and exercised, then the Company's fully paid share capital will be diluted by approximately 9.22% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling $14,150,000 upon the exercise of the Options. If, however, only the Options, the subject of this Resolution 7, are exercised, then the Company's fully paid share capital will be diluted by approximately 2.41% (based on the existing number of Shares). The Company will, however, receive subscription monies totaling $2,400,000 upon the exercise of the Options.

  b) the Directors consider that the incentive represented by the grant of Options is a cost effective and efficient incentive when compared to other forms of incentive such as cash, bonuses or increased remuneration;

  (c) the primary purpose of the grant of Options is to provide an incentive to Mr Sage whilst maintaining cash reserves. Given this purpose, the Directors do not consider that there is any opportunity cost or benefit foregone to the Company in granting the Options, the subject of Resolution 7; and

  (d) the Board, with the exclusion of Mr Sage, has examined carefully the remuneration package of Mr Sage to determine the fairness and reasonableness of the remuneration package. As part of the examination, the Board has reviewed the remuneration packages of industry executives in similar roles to Mr Sage as Executive Director of Cape Lambert Iron Ore.

  Based on the examination, the Board has concluded that the totality of Mr Sage's remuneration package, including the equity component of 6,000,000 Options now to be considered for approval by Shareholders, is fair and reasonable in the circumstances of Cape Lambert Iron Ore, in light of Mr Sage's management experience and knowledge of the mineral exploration industry.

ASX Listing Rule 10.11

If Resolution 7 is passed, 6,000,000 Options will be issued to Mr Sage who is a related party of the Company. Accordingly, approval pursuant to ASX Listing Rule 10.11 is required prior to the issue of the Options.

A summary of ASX Listing Rule 10.11 is contained in section 6 of this Explanatory Statement.

For the purposes of ASX Listing Rule 10.13, the following information is provided in relation to Resolution 7:

(a) the maximum number of Options to be issued by the Company to Mr Tony Sage is 6,000,000;

(b) the Options will be issued for no cash consideration;

(c) the Options will be issued no later than one month after the date of the Annual General meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated that allotment will occur on one date;

(d) no funds will be raised from the issue of the Options as the purpose of the issue is to give Mr Sage an incentive to provide dedicated and ongoing commitment to the Company whilst maintaining cash reserves; and

(e) the Options will be issued on the terms and conditions set out in Annexure A to this Explanatory Statement.

8. RESOLUTION 8: "APPOINT ERNST & YOUNG AS AUDITORS OF THE COMPANY"

Following the resignation of Ord Partners as auditors of the Company, the Directors seek to appoint Ernst & Young as auditors of the Company. Pursuant to Section 328 of the Corporations Act 2001, Ernst & Young, having been nominated by a Shareholder (refer to page 14 of this Explanatory Statement for a copy of the nomination letter), consent to act as auditors of the Company and seek Shareholders approval to be appointed auditors of the Company.

Under the Corporations Act, the resignation of an auditor is subject to approval by the Australian Securities and Investments Commission (ASIC) and appointment of a new auditor is subject to approval at an annual general meeting. Ord Partners has sought ASIC approval to resign and the Company seeks approval at this Meeting for Ernst & Young to be appointed auditor of the Company, subject to receiving this ASIC approval.

The Directors have confidence in Ernst & Young's independence, professionalism and competence and therefore the Directors support this nomination.

ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders should read this Explanatory Statement carefully before deciding how to vote on each Resolution.

Attached to the Notice of Meeting is a proxy form for use by Shareholders. Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, to complete, sign and return the proxy form to the Company in accordance with the instructions contained in the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a shareholder from attending and voting at the Meeting in person.

Enquiries

All enquiries in relation to the contents of the Notice of Meeting or Explanatory Statement should be directed to the Company's Executive Director, Mr Antony Sage or Company Secretary, Mr Timothy Turner (telephone: +61 8 9380 9555).

Cape Lambert Iron Ore Limited
ABN 71 095 047 920

<u>Copy of Letter of Nomination of Auditors</u>

6 October 2006

The Directors
Cape Lambert Iron Ore Limited
18 Oxford Close
LEEDERVILLE WA 6007

Dear Sirs,

I, Eloise von Puttkammer, being a shareholder in Cape Lambert Iron Ore Limited, hereby nominate Ernst & Young to be appointed auditors of the Company at the forthcoming Annual General Meeting to be held 28 November 2006 or at any adjournment thereof, subject to ASIC approval.

Yours faithfully,

Eloise von Puttkammer

ANNEXURE "A"

Terms and Conditions of Options

The terms and conditions of the Options proposed to be allotted and issued and the subject of proposed Resolutions 5, 6 and 7 are as follows:

The Options proposed to be issued to brokers, consultants and staff pursuant to Resolution 5 are exercisable at $0.40 on or before 31 December 2007.

The Options proposed to be issued to Mr Burston (or his nominee(s)) pursuant to Resolution 6 are to be issued in three (3) tranches as follows:

(i) 3,400,000 Options exercisable at $0.40 on or before 31 December 2007;
(i) 3,300,000 Options exercisable at $0.90 on or before 30 June 2008;
(i) 3,300,000 Options exercisable at $1.40 on or before 30 June 2009.

The Options proposed to be issued to Mr Sage (or his nominee(s)) pursuant to Resolution 7 are exercisable at $0.40 on or before 31 December 2007.

Apart from the above terms, the terms and conditions of the Options to be issued the subject of Resolutions 5, 6 and 7 are as follows:

a) Each Option entitles the holder to subscribe for one Share in the capital of the Company at the Exercise Price per Share.

b) Subject to paragraph (c) below, the Options are exercisable at any time up to 5.00pm Perth time on the Expiry Date by completing an Option exercise form and delivering it together with the payment for the number of Shares in respect of which the Options are exercised to the registered office of the Company. Any Options not exercised by that time will lapse.

c) An Option Holder may exercise only some of that person's Options, which does not affect that holder's right to exercise the remainder of their Options by the deadline in paragraph (b) above. Options must be exercised in multiples of 100 at a time, unless the Option Holder exercises all Options able to be exercised at that time.

d) Subject to the Corporations Act, the ASX Listing Rules and the Company's Constitution, the Options are freely transferable. Application will not be made to ASX for official quotation of the Options.

e) All Shares issued upon exercise of the Options will, from the date they are issued, rank pari passu in all respects with the Company's then issued Shares. The Company will apply for official quotation by ASX of all Shares issued upon exercise of the Options.

f) Option Holders cannot participate in new issues of capital offered to Shareholders of the Company during the currency of the Options without exercising the Options. However, the Company will ensure that for the purpose of determining entitlements to any such issue, the books closing date will be at least 10 business days after the issue is announced. This will give Option Holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

g) Subject to paragraph (h), if the Company makes a bonus share issue, a rights issue or any other similar issue of rights or entitlements, there will be no adjustment to the exercise price, the number of Shares per Option or any other terms of those Options.

h) In the event of any reorganisation (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date the rights of Option Holders, including the number of Options or the exercise price of the Options or both will be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

i) Option Holders will be sent all communications sent to Shareholders of the Company, but Options do not confer any rights to attend or vote at meetings of Shareholders of the Company. Notice may be given by the Company to Option holders in the manner provided by the Company's Constitution for the giving of notices to Shareholders, and the relevant provisions of the Company's Constitution apply with all necessary modification to notices to Option Holders.

ANNEXURE "B"

ESTIMATE OF THE VALUE OF OPTIONS

An estimate of the value of the Options that are proposed to be granted (pursuant to the passing of Resolutions 5, 6 and 7) using the Black and Scholes Options Pricing Model has been calculated as set out below:

	Name of Allottee (or their nominee(s))	Number of Options	Estimated Value using Black & Scholes Model **$**
Resolution 5	Brokers, consultants, staff (i)	7,000,000	240,800
Resolution 6	Burston (i)	3,400,000	116,960
Resolution 6	Burston(ii)	3,300,000	43,230
Resolution 6	Burston(iii)	3,300,000	48,180
Resolution 7	Sage(i)	6,000,000	206,400
	Total	23,000,000	**655,570**

The estimated value of the Options was calculated using the following assumptions:

1. risk free rate of 5.58% (continuously compounded risk free rate);
2. current share price of 32.0 cents;
3. dividend yield of 0%;
4. forecast volatility of 60%: the volatility rate based on the range to which the Shares have been trading on the Australian Stock Exchange (ASX). It is not uncommon to have lower or higher volatility for mining exploration companies. Capital & Corporate Advisors Pty Ltd have decided to use a volatility rate of 60%.
5. option exercise price of:

   (i) $0.40;
   (ii) $0.90; and
   (iii) $1.40.

6. option expiry date of:

   (i) 31 December 2007;
   (ii) 30 June 2008; and
   (iii) 30 June 2009.

7. discount for unlisted options of 30% for non negotiability and/or lack of liquidity.

The above calculations have been independently prepared by Capital & Corporate Advisors Pty Ltd, licensed securities dealers on 9 October 2006, with an expected grant date of 28 November 2006.

Cape Lambert Iron Ore Ltd And Controlled Entities

Financial report for the financial year ended 30 June 2006

(Formerly International Goldfields Limited)

ABN 71 095 047 920

Cape Lambert Iron Ore Ltd And Controlled Entities

Financial report for the financial year ended 30 June 2006

Annual financial report for the financial year ended 30 June 2006

Corporate Governance Statement

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations. The Company is pleased to advise that the Company's practices are largely consistent with those ASX guidelines. As consistency with the guidelines has been a gradual process, where the Company did not have certain policies or committees recommended by the ASX Corporate Governance Council (the Council) in place during the reporting period, we have identified such policies or committees.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is working towards compliance however it does not consider that all the practices are appropriate for the Company due to the size and scale of Company operations.

To illustrate where the Company has addressed each of the Council's recommendations, the following table cross-references each recommendation with sections of this report. The table does not provide the full text of each recommendation but rather the topic covered. Details of all of the recommendations can be found on the ASX Corporate Governance Council's website at http://www.asx.com.au/about/CorporateGovernance_AA2.shtm.

Recommendation		Section
Recommendation 1.1	Functions of the Board and Management	1.1
Recommendation 2.1	Independent Directors	1.2
Recommendation 2.2	Independent Chairman	1.2
Recommendation 2.3	Role of the Chairman and CEO	1.2
Recommendation 2.4	Establishment of Nomination Committee	2.3
Recommendation 2.5	Reporting on Principle 2	1.2, 1.4.6, 2.3.2 and the Directors' Report
Recommendation 3.1	Directors' and Key Executives' Code of Conduct	1.1
Recommendation 3.2	Company Security Trading Policy	1.4.9
Recommendation 3.3	Reporting on Principle 3	1.1 and 1.4.9
Recommendation 4.1	Attestations by CEO and CFO	1.4.11
Recommendation 4.2	Establishment of Audit Committee	2.1
Recommendation 4.3	Structure of Audit Committee	2.1.2
Recommendation 4.4	Audit Committee Charter	2.1
Recommendation 4.5	Reporting on Principle 4	2.1
Recommendation 5.1	Policy for Compliance with Continuous Disclosure	1.4.4
Recommendation 5.2	Reporting on Principle 5	1.4.4
Recommendation 6.1	Communications Strategy	1.4.8
Recommendation 6.2	Attendance of Auditor at General Meetings	1.4.8
Recommendation 7.1	Policies on Risk Oversight and Management	2.1.3
Recommendation 7.2	Attestations by CEO and CFO	1.4.11
Recommendation 7.3	Reporting on Principle 7	2.1.3
Recommendation 8.1	Evaluation of Board, Directors and Key Executives	1.4.10
Recommendation 9.1	Remuneration Policies	2.2.4
Recommendation 9.2	Establishment of Remuneration Committee	2.2
Recommendation 9.3	Executive and Non-Executive Director Remuneration	2.2.4.1 and 2.2.4.2
Recommendation 9.4	Equity-Based Executive Remuneration	2.2.4.1
Recommendation 9.5	Reporting on Principle 9	2.2.2 and 2.2.4
Recommendation 10.1	Company Code of Conduct	3

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties. In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company. To assist the Board carry our its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment skills. The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Dr Ian Burston, Mr Timothy Turner and Mr Brian Maher are Non-Executive Directors, and are independent directors as they meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Antony Sage is the Executive Director of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Dr Ian Burston is the Non-Executive Chairman of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Timothy Turner is a Non-Executive Director of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board. Mr Brian Maher is a Non-Executive Director of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available for inspection at the Company's registered office.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the Corporations Act, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the ASX Listing Rules the Company immediately notifies the ASX of information:

- concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Education and Induction

It is the policy of the Company that new Directors undergo an induction process in which they are given a full briefing on the Company. Where possible this includes meetings with key executives, tours of the premises, an induction package and presentations. Information conveyed to new Directors include:

- details of the roles and responsibilities of a Director;
- formal policies on Director appointment as well as conduct and contribution expectations;
- access to a copy of the Board Charter; guidelines on how the Board processes function;
- details of past, recent and likely future developments relating to the Board;
- background information on and contact information for key people in the organisation;
- an analysis of the Company;
- a synopsis of the current strategic direction of the Company; and
- a copy of the Constitution of the Company.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

1.4.6 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.7 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.8 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
- making it easy for shareholders to participate in general meetings of the Company; and
- requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Due to the size of the Company, the Board does not consider it appropriate to implement a Share Trading Policy. Rather, it reminds directors, officers and employees of the prohibition in the Corporations Act 2001concerning trading in the Company's securities when in possession of "inside information".

1.4.10 Performance Review/Evaluation

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

1.4.11 Attestations by CEO and CFO

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company does not have a designated CEO or CFO. Due to the size and scale of operations of the Company these roles are performed by the Board as a whole. Board Committees

2. Board Committees

2.1 Audit Committee

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

2.1.1 Role

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. As the whole Board only consists of four (4) members, the Company does not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company is moving towards establishing an audit committee consisting primarily of Independent Directors.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

2.1.2 Responsibilities

The Audit Committee or as at the date of this report the full Board of the Company reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Audit Committee or as at the date of this report the full Board of the Company each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal. The Audit Committee or as at the date of this report the full Board of the Company is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees. As the whole Board only consists of four (4) members, the Company does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Responsibilities

The responsibilities of a Remuneration Committee, or as at the date of this report the full Board of the Company, include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

2.2.3 Remuneration Policy

'Directors' Remuneration has been approved by resolutions of the Board on various dates as and when Directors have been appointed to the Company.

2.2.3.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance. During the year there were no Non-Director Executives. The value of shares and options were they to be granted to senior executives would be calculated using the Black and Scholes method.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

2.2.3.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses and do not participate in equity schemes of the Company.

Non-Executive Directors are entitled to but not necessarily paid statutory superannuation.

2.2.4 Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. As the whole Board only consists of four (4) members, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Responsibilities

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

2.3.3 Criteria for selection of Directors

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience appropriate to the Company's target market. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

3. Company Code Of Conduct

The Board has decided against the implementation of a code of conduct as it does not believe that it is in the best interests of its employees or other stakeholders to have what purports to be an exhaustive code of conduct. The Board feels that such a code may be too prescriptive and not allow the employees the discretion they need to best serve the Company's stakeholders.

Directors' Report

The directors of Cape Lambert Iron Ore Limited submit herewith the annual financial report of the Company for the financial year ended 30 June 2006. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

Directors

Name	Particulars
Ian Burston	Non-Executive Chairman (appointed 3 July 2006)
Antony Sage	Executive Director
Brian Maher	Non-Executive Director (appointed 20 December 2005)
Timothy Turner	Non-Executive Director
Peter Del Fante	Non-Executive Director (appointed 17 January 2006, resigned 31 March 2006)
Stockley Davis	Non-Executive Director (resigned 17 January 2006)

Ian Burston	**Non-Executive Chairman**
Qualifications	AM, CitWA, B.E(Mech), DipAeroEng (RMIT), HonDSc, FIEAust, CPEng, FAusIMM, FAICD
Experience	Dr Burston has exceptional skills in resource management and has more than 30 years of top-level experience in extractive and related industries. Dr Burston holds a Bachelor of Engineering (Mech) degree from Melbourne University and a Diploma in Aeronautical Engineering from Royal Melbourne Institute of Technology. He has completed the Insead Management Paris and the Harvard Advanced Management Program in Boston. Formerly Dr Burston has held positions as Managing Director of Portman Limited, Managing Director and Chief Executive Officer of Aurora Gold Ltd, Chief Executive Officer of Kalgoorlie Consolidated Mines Pty Ltd, Vice President – WA Business Development CRA Ltd and Managing Director Hamersley Iron Pty Ltd. He was a non-executive Directors of the Esperance Port Authority for ten years. Dr Burston is currently a non-executive Chairman of Broome Port Authority, Aztec Resources Limited and Imdex Ltd, and a non-executive Director of Mincor Resources NL and AVIVIA Corp Ltd.
Antony William Paul Sage	**Executive Director**
Qualifications	B.Com, FCPA, CA, FTIA
Experience	Mr Sage has in excess of 21 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 13 years. Mr Sage was a founding Director of International Goldfields Limited and its merger partner Hamill Resources Limited (the merged entity now being Cape Lambert Iron Ore Limited. Mr Sage is also a Director of currently listed International Goldfields Limited (ASX Code IGC).
Brian Maher	**Non-Executive Director**
Qualifications	B.E(Min.), FAusIMM, FIMM
Experience	Mr Maher has over 40 years experience in the mining industry, covering both underground and open cut operations, as a miner, supervisor, mining engineer, mine manager consultant, contractor and managing director. He has worked throughout the world, including Australia, Liberia, Guyana and the Philippines. He has spent over 12 years in the iron ore industry. Mr Maher has a Bachelor of Mining Engineering from the University of Melbourne, and is a fellow of both the Australian Institute of Mining and Metallurgy and The Institution of Mining and Metallurgy. Mr Maher has held senior management positions with leading mining and engineering companies throughout the world including Hamersley Iron, Broken Hill South, Griffin Coal, Thyssen Mining Construction, Lameco Iron Ore, Kinhill Engineers, Linden Mining, Minproc Engineers and Nissho Iwai Mineral Sands.

Timothy Paul Turner	**Non-Executive Director and Company Secretary**
Qualifications	B.Bus, CA
Experience	Mr Timothy Paul Turner has joined International Goldfields Limited in the dual position of Director and Company Secretary. As a partner with Accountants Hewitt Turner & Gelevitas, Mr Turner specialises in offshore and domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. He also has in excess of 20 years experience in new ventures, capital raisings and general business consultancy. Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor and a Certified Practising Accountant. He is also a Fellow of the Taxation Institute of Australia.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Ian Burston	Aztec Resources Ltd	2004 to present
	Imdex Limited	2000 to present
	Mincor Resources NL	2003 to present
	Aviva Corporation Ltd	2003 to present
Antony Sage	International Goldfields Limited	January 2006 to present
	NFX Gold Inc (TSX VE)	June 2004 to January 2006
Brian Maher	-	
Timothy Turner	International Goldfields Limited	January 2006 to present

Company Secretary

The following person held the position of Company Secretary at the year end:

Mr Timothy Paul Turner is a partner with Accountants Hewitt Turner & Gelevitas, Mr Turner specialises in offshore and domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. He also has in excess of 20 years experience in new ventures, capital raisings and general business consultancy.
Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor and a Certified Practicing Accountant. He is also a Fellow of the Taxation Institute of Australia.

Principal activities

The principal activity of the economic entity during the financial year was mineral exploration. There were no significant changes in the nature of the economic entity's principal activities during the financial year.

Review of operations

- Acquisition of the Cape Lambert Iron Ore Project
  On 16 December 2005, the Company acquired 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 has commenced 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 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.

  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.

- Change of Name and ASX Code
  International Goldfields Limited ("IGL") changed its name to Cape Lambert Iron Ore Limited and its ASX code to CFE on 3 November 2005.

- Spin off of Gold Assets
  On 17 January 2006, the Company announced a 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 2 May 2006, International Goldfields Limited (IGC) shares Listed on the Australian Stock Exchange (ASX) through an initial public offering (IPO) of 20,000,000 shares at 20c per share, to raise $4 million. The offer was oversubscribed for an additional $1 million for a total of $5 million raised.

  Cape Lambert was issued 35 million IGC shares pursuant to the Mining Assets Agreement between Cape Lambert and IGC and dated 14 March 2006. On 27 April 2006, Cape Lambert distributed 28 million IGC shares to shareholders of Cape Lambert by way of an in-specie distribution. 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 demerger.

  Cape Lambert retains a 15.6% holding in IGC at 30 June 2006.

- Sale of Canadian Assets
  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 208,333 shares in NFX. At the date of this report the current market value of these shares is in excess of AUD$350,000.

- Listing on AIM
  On 5 May 2006 the Company announced that it had been successfully Admitted on London Stock Exchange's AIM market via a fast-track compliance listing. The Company's shares are now dual listed on the Australian and UK (AIM) stock markets.

Results for the Year

The economic entity made an after tax loss for the year of $15,030,508 (2005: $4,263,019). The large loss for the year 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 $1,258,202 in additional expense.
- The write off of exploration assets relates to the loss incurred as a result of the spin off of gold assets to International Goldfields Limited. As such the Directors resolved at 31 December 2005 to write down the exploration and evaluation expenditure carried forward to their fair values. The total impairment to exploration assets during the year was $15,632,042.

Events Subsequent to Reporting Date

No event has arisen since 30 June 2006 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.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the Review of Operations.

Future developments

The economic entity will continue its mineral exploration activity at and around its exploration projects with the object of identifying commercial resources.

Environmental regulations

The economic entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

Share options

Share options granted to directors and executives

During and since the end of the financial year an aggregate of 12,500,000 share options were granted to the following directors and executives of the company:

Directors and executives	Number of options granted	Issue equity	Number of ordinary shares under option
Ian Burston	-	-	-
Anthony Sage	10,000,000	CFE	10,000,000
Brian Maher (i)	-	-	-
Timothy Turner	1,500,000	CFE	1,500,000
Peter Del Fante	-	-	-
Stockley Davis	1,000,000	CFE	1,000,000

(i) Brian Maher was granted 1,000,000 options during the year before becoming a director, in his capacity as a consultant to the Company.

Share options on issue at year end or exercised during the year

Details of unissued shares or interests under option are:

Issuing entity	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
CFE	136,511,805	ORD	$0.277 (i)	31 October 2008
CFE	50,000,000	ORD	$0.327 (i)	31 October 2009
CFE	40,000,000	ORD	$0.377 (i)	31 October 2010
CFE	500,000	ORD	$0.367 (i)	9 February 2009
CFE	500,000	ORD	$0.427 (i)	22 October 2008

(i) pursuant to the in-specie distribution of the Company's holding in International Goldfields Limited, the exercise price of all options was reduced by 2.3 cents.

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares or interests issued during the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
CFE	160,000	ORD	$44,480	-

Indemnification of officers

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 8 board meetings and 2 due diligence meetings were held.

	Board of directors	
Directors	Eligible to attend	Attended
Ian Burston	-	-
Anthony Sage	8	8
Brian Maher	4	3
Timothy Turner	8	8
Peter Del Fante	3	2
Stockley Davis	4	3

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the company or a related body corporate as at the date of this report.

Directors	Ordinary Shares	31 October 2008 Options
Ian Burston	500,000	-
Anthony Sage	11,930,075	9,960,000
Brian Maher	65,000	1,350,000
Timothy Turner	544,004	1,500,000

Remuneration report

Remuneration policy for directors and executives

This report details the nature and amount of remuneration for each director and executive of Cape Lambert.

Details of Directors and Executives

(i) Directors
Ian Burston – Non Executive Chairman (appointed 3 July 2006)

Antony Sage – Executive Chairman

Timothy Turner – Non-Executive Director

Brian Maher – Non-Executive Director (appointed 20 December 2005)

Stockley Davis – Non Executive Director (resigned 17 January 2006)

Peter Del Fante – Non Executive Director (appointed 17 January 2006, resigned 31 March 2006)

(ii) Executives
There are no persons meeting the definition of an Executive during the year.

The remuneration policy of Cape Lambert has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The board of Cape Lambert believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the company, as well as create goal congruence between directors and shareholders.

The board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the managing director and approved by the board after seeking professional advice from independent external consultants.

In determining competitive remuneration rates, the Board seeks independent advice on local and international trends among comparative companies and industry generally. It examines terms and conditions for employee incentive schemes, benefit plans and share plans. Independent advice is obtained to confirm that executive remuneration is in line with market practice and is reasonable in the context of Australian executive reward practices.
All executives receive a base salary (which is based on factors such as length of service and experience), superannuation and fringe benefits.

The economic entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions, within the same industry. The Board endorses the use of incentive and bonus payments for directors and senior executives. Certain Board members were issued shares as part of the terms of the Initial Public Offer and also upon appointment to the Board as part of their salary packages. Board members have largely retained these securities which assist in aligning their objectives with overall shareholder value.

Options and performance incentives are also issued as the entity moves from exploration to producing entity, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9% and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. All remuneration paid to directors is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The managing director in consultation with independent advisors determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration
The directors felt the share price was not as stable as was expected during the year, reaching a low of $0.14 and a high of $0.70. The board has decided to increase and maintain promotional activity amongst analysts so as to increase investor awareness of the company and to stabilise the Company's share price in line with a consistent and stable financial position and base value of assets.

Director and executive details
The directors and executives of Cape Lambert Iron Ore Limited during the year were:

- Ian Burston (appointed 3 July 2006)
- Antony Sage
- Brian Maher (appointed 20 December 2005)
- Timothy Turner
- Peter Del Fante (appointed 17 January 2006, resigned 31 March 2006)
- Stockley Davis (resigned 17 January 2006)

Elements of director and executive remuneration
Remuneration packages contain the key elements incorporated in the Company's Remuneration Policy as detailed above.

The following table discloses the remuneration of the directors of the company:

	Primary			Post-employment			Equity		
	Salary & fees	bonus	Non-monetary	Superannuation	Prescribed benefits	Other	options	Other benefits	Total
2006	$	$	$	$	$	$	$	$	$
Ian Burston	-	-	-	-	-	-	-	-	
Anthony Sage	258,333	-	-	-	-	-	1,006,562	-	1,264,895
Brian Maher	17,400	-	-	-	-	-	-	-	17,400
Timothy Turner	30,000	-	-	-	-	-	150,984	-	180,984
Peter Del Fante	-	-	-	-	-	-	-	-	-
Stockley Davis	-	-	-	-	-	-	100,656	-	100,656
Total	305,733	-	-	-	-	-	1,258,202	-	1,563,935

Value of options issued to directors and executives
The following tables discloses the value of options granted, exercised or lapsed during the year:

	Options Granted Value at grant date	Option Exercised Value at exercise date	Options Lapsed Value at time of lapse	Total value of options granted, excercised and lapsed	Percentage of total remuneration for the year that consists of options
	$	$	$	$	%
Ian Burston	-	-	-	-	-
Anthony Sage	1,006,562	-	-	1,006,562	80.1%
Brian Maher	-	-	-	-	-
Timothy Turner	150,984	-	-	150,984	-
Peter Del Fante	-	-	-	-	-
Stockley Davis	100,656	-	-	100,656	-
Total	1,258,202	-	-	1,258,202	-

Value of options - basis of calculation

The following factors and assumptions were used in determining the fair value of options issued to Directors on grant date:

Grant Date	Expiry Date	Fair value Per option	Exercise Date	Price of Shares on Grant Date	Estimated Volatility	Risk Free Interest Rate	Dividend Yield
20.12.05	31.10.08	$0.101	31.10.08	$0.30	60%	5.70%	-

Estimated volatility approximates historic volatility. Each option entitles the holder to purchase one ordinary share in the Company.

Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the economic entity or intervene in any proceedings to which the economic entity is a party for the purpose of taking responsibility on behalf of the economic entity for all or any part of those proceedings.

The economic entity was not a party to any such proceedings during the year.

Non-audit services

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 16 of the financial report. Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Timothy Turner
Director
Perth, 29 September 2006

Independence declaration to the directors of Cape Lambert Iron Ore Limited

ORD PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

29th September 2006

To the Board of Directors of Cape Lambert Iron Ore Limited

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2006 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Yours sincerely
ORD PARTNERS

Ian Keith Macpherson
Partner

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Chartered Accountants

Independence declaration to the directors of Cape Lambert Iron Ore Limited

O|R|D
PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

Craig A Vivian CA

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
CAPE LAMBERT IRON ORE LIMITED

Scope

The financial report and directors' responsibility
We have audited the financial report of Cape Lambert Iron Ore Limited ('the Company') for the financial year ended 30 June 2006, consisting of the income statements, statements of changes in equity, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration. 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 year or from time to time during the financial year.

The Company's directors are responsible for the financial report. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards.*

Audit approach
We have conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Qualifications

- **Accounting treatment of Investment in International Goldfields Limited**

  The Consolidated Entity has recognised its interest in International Goldfields Limited ("IGC") as an available for sale financial asset at fair value as the directors believe that the Company does not have the power to exercise significant influence over IGC.

  This is a departure from Australian Accounting Standard AASB 128 "Investments in Associates", which states that the power to exercise significant influence may be evidenced by Board representation and the power to influence the operating and financial decisions of the company. The Company currently controls 50% of the board of IGC In our opinion, the investment in IGC should have been treated as an associate and consequently accounted for using the equity method. Had this been done, the effect would have been to increase the net assets of the Consolidated Entity by $191,125 and to reduce the loss incurred by the Consolidated Entity for the year by $191,125

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Chartered Accountants

Independence declaration to the directors of Cape Lambert Iron Ore Limited

CAPE LAMBERT IRON ORE LTD

O | R | D

Qualifications (continued)

- **SACU Project, Romania**

  The Consolidated Entity has recognised exploration costs in relation to its area of interest in Romania. Balances carried forward in the Consolidated Entity's and the Company's balance sheet total $2,758,251.

  We have been unable to obtain sufficient appropriate audit evidence to establish whether the Consolidated Entity has the right to carry these costs forward as an exploration asset.

  In the event that the Consolidated Entity or the Company does not have the right to carry these costs forward, the effect would have been to decrease net assets and increase the loss for the year by $2,758,251 in the both the Consolidated Entity's and the Company's financial report

Opinion

1. In our opinion, except for the effects on the financial report of the matters referred to in the qualification paragraph, the financial report of Cape Lambert Iron Ore Limited is in accordance with:

   (a) the Corporations Act 2001, including:

   (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the financial year ended on that date, and

   (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

   (b) other mandatory professional reporting requirements in Australia.

ORD PARTNERS
Chartered Accountants

Ian Macpherson
Partner

Dated this 29th day of September 2006
Perth, WA

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Timothy Turner
Director
Perth, 29 September 2006

Income statement for the financial year ended 30 June 2006

	Note	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Revenue from continuing activities	2(a)	4,307,478	941,862	(4,301,567)	(912,652)
Employee benefits expense		(1,654,022)	(379,711)	(1,650,022)	(379,711)
Consulting expenses		(382,563)	(342,330)	(382,563)	(342,330)
Occupancy expenses		(49,437)	(59,510)	(49,437)	(59,510)
Compliance and regulatory expenses		(388,375)	(70,004)	(391,511)	(67,603)
Administration expenses		(1,255,703)	(232,507)	(1,258,642)	(232,191)
Other expenses from ordinary activities		-	(16,465)	-	(16,104)
Depreciation and amortisation expense		(54,797)	(74,422)	(53,083)	(68,709)
Impairment of exploration expenditure		(15,632,042)	(2,105,955)	(5,152,785)	(1,105,955)
Reversal of impairment of exploration expenditure		493,725	-	(493,725)	-
Impairment of investment in controlled entities		-	-	(13,557,160)	-
(Impairment)/reversal of impairment of loan to controlled entity		-	-	(21,706)	(890,251)
Loss on revaluation of investments		(414,772)	(1,902,516)	(414,772)	(1,902,516)
Loss on disposal of plant and equipment		-	(21,461)	-	(21,461)
Loss before income tax expense	2(b)	(15,030,508)	(4,263,019)	(18,092,977)	(4,173,689)
Income tax expense	3	-	-	-	-
Loss after income tax expense		(15,030,508)	(4,263,019)	(18,902,977)	(4,173,689)
Loss for the year		(15,030,508)	(4,263,019)	(18,902,977)	(4,173,689)
Loss per share:					
Basic (cents per share)	18	(7.57)	(3.06)		
Diluted (cents per share)	18	(5.03)	(3.06)		

Notes to the financial statements are included on pages 23 to 49.

Balance sheet as at 30 June 2006

		Consolidated		Company	
	Note	2006 $	2005 $	2006 $	2005 $
Current assets					
Cash and cash equivalents		12,709,573	1,054,704	12,636,049	923,488
Trade and other eceivables	7	390,508	134,001	394,707	42,913
Total current assets		13,100,081	1,188,705	13,030,756	966,401
Non-current assets					
Trade and other receivables	8	-	-	-	400,462
Financial assets	9	2,810,016	1,550,746	35,339,367	16,148,802
Other non-current assets	10	155,376	141,379	155,376	141,739
Plant and equipment	11	151,650	149,241	148,212	144,089
Exploration, evaluation and development expenditure	12	34,504,276	23,769,452	-	9,929,380
Total non-current assets		37,621,318	25,610,818	35,642,955	26,764,472
Total assets		50,721,399	26,799,523	48,673,711	27,730,873
Current liabilities					
Trade and other payables	13	879,216	376,063	1,893,997	1,307,413
Provisions	14	-	39,632	-	39,632
Total current liabilities		879,216	415,695	1,893,997	1,347,045
Total liabilities		879,216	415,695	1,893,997	1,347,045
Net assets		49,842,183	26,383,828	46,779,714	26,383,828
Equity					
Issued capital	15	52,993,719	31,169,764	52,993,719	31,169,764
Reserves	16	16,664,908	-	16,664,908	-
Accumulated losses	17	(19,816,444)	(4,785,936)	(22,878,913)	(4,785,936)
Total equity		49,842,183	26,383,828	46,779,714	26,383,828

Notes to the financial statements are included on pages 23 to 49.

Statements of Changes in Equity for the financial year ended 30 June 2006

Consolidated Entity	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Asset Revaluation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2004	31,167,264	(522,917)	-	-	30,644,347
Loss for year	-	(4,263,019)	-	-	(4,263,019)
Total recognised income and expense	-	(4,263,019)	-	-	(4,263,019)
Contributions of equity net of transaction costs	2,500	-	-	-	2,500
Transactions with equity holders in their capacity as equity holders	2,500	-	-	-	2,500
Balance at 30 June 2005	31,169,764	(4,785,936)	-	-	26,383,828
Balance at 1 July 2005	31,169,764	(4,785,936)	-	-	26,383,828
Loss for year	-	(15,030,508)	-	-	(15,030,508)
Available for sale financial instruments					
• Valuation gain taken to equity	-	-	-	1,565,942	1,565,942
• Transferred to profit or loss on sale	-	-	-	(1,427,812)	(1,427,812)
Total recognised income and expense	-	(15,030,508)	-	138,130	(14,892,378)
Share based payments	-	-	16,526,778	-	16,526,778
Contributions of equity net of transaction costs	27,487,004	-	-	-	27,487,004
Capital reduction	(5,663,049)	-	-	-	(5,663,049)
Transactions with equity holders in their capacity as equity holders	21,823,955	-	16,526,778	-	38,350,733
Balance at 30 June 2006	52,993,719	(19,816,444)	16,526,778	138,130	49,842,183

Company	Issued Capital	Accumulated Losses	Share Based Payment Reserve	Asset Revaluation Reserve	Total
	$	$	$	$	$
Balance at 1 July 2004	31,167,264	(612,247)	-	-	30,555,017
Loss for year	-	(4,173,689)	-	-	(4,173,689)
Total recognised income and expense	-	(4,173,689)	-	-	(4,173,689)
Contributions of equity net of transaction costs	2,500	-	-	-	2,500
Transactions with equity holders in their capacity as equity holders	2,500	-	-	-	2,500
Balance at 30 June 2005	31,169,764	(4,785,936)	-	-	26,383,828
Balance at 1 July 2005	31,169,764	(4,785,936)	-	-	26,383,828
Loss for year	-	(18,092,977)	-	-	(18,092,977)
Available for sale financial instruments					
• Valuation gain taken to equity	-	-	-	1,565,942	1,565,942
• Transferred to profit or loss on sale	-	-	-	(1,427,812)	(1,427,812)
Total recognised income and expense	-	(18,092,977)	-	138,130	(17,954,847)
Share based payments	-	-	16,526,778	-	16,526,778
Contributions of equity net of transaction costs	27,487,004	-	-	-	27,487,004
Capital reduction	(5,663,049)	-	-	-	(5,663,049)
Transactions with equity holders in their capacity as equity holders	21,823,955	-	16,526,778	-	38,350,733
Balance at 30 June 2006	52,993,719	(22,878,913)	16,526,778	138,130	46,779,714

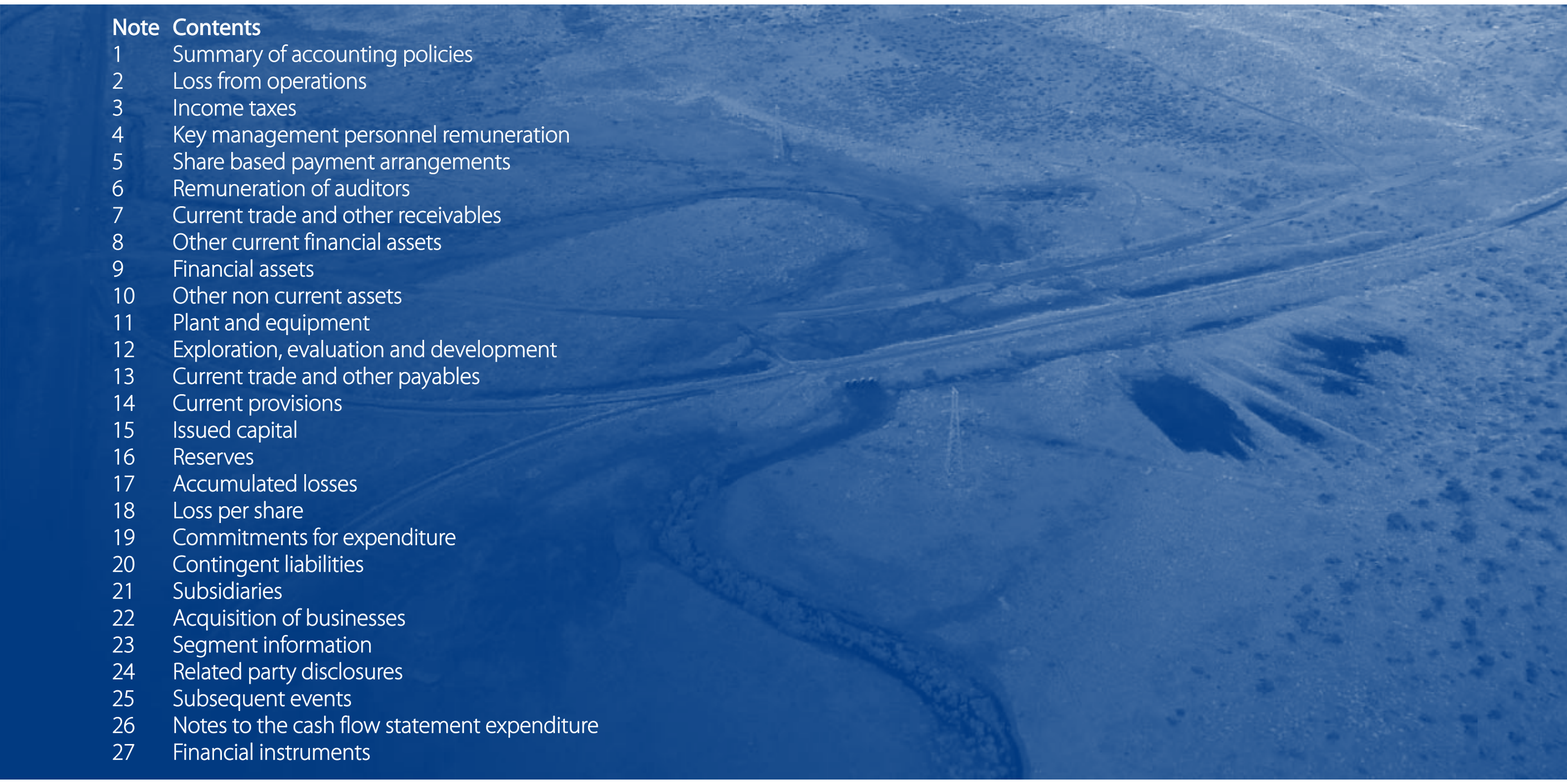
Notes to the financial statements are included on pages 23 to 49.

Cash flow statement for the financial year ended 30 June 2006

		Consolidated		Company	
		2006	2005	2006	2005
Cash flows from operating activities	**Note**	$	$	$	$
Receipts from customers		-	65,000	-	65,000
Payments to suppliers and employees		(2,240,669)	(901,896)	(2,327,285)	(938,392)
Interest received		475,860	171,739	472,292	142,529
Payments for exploration, evaluation and development		(1,383,085)	(4,244,565)	(688,239)	(3,154,277)
Interest paid		(35,719)	-	(35,719)	-
Other revenue		83,980	105,537	81,637	105,537
Net cash used in operating activities	26(c)	(3,099,553)	(4,804,185)	(2,497,314)	(3,779,603)
Cash flows from investing activities					
Payment for plant and equipment		(57,206)	(44,231)	(57,206)	(44,231)
Payment for exploration assets		(9,002,960)	(15,836)	-	(13,196)
Purchase of equity investments		(771,913)	(1,401,094)	(9,774,873)	(1,420,746)
Payments for security bonds		(13,997)	-	(13,997)	-
Proceeds from sale of equity investments	26(c)	4,330,415	202,824	4,330,415	202,824
Loans from controlled entities	26(c)	-	-	-	983,343
Loans to controlled entities		-	-	(544,547)	-
Net cash used in investing activities		(5,515,661)	(1,258,337)	(6,060,208)	(292,006)
Cash flows from financing activities					
Proceeds from issues of equity securities		22,047,280	181,560	22,047,280	181,560
Payment for share issue costs		(1,777,197)	(250)	(1,777,197)	(250)
Net cash provided by financing activities		20,270,083	181,310	20,270,083	181,310
Net increase in cash and cash equivalents		11,654,869	(5,881,212)	11,712,561	(3,890,299)
Cash and cash equivalents at the beginning of the financial year		1,054,704	6,935,916	923,488	4,813,787
Cash and cash equivalents at end of the financial year	26(a)	12,709,573	1,054,704	12,636,049	923,488

Notes to the financial statements are included on pages 23 to 49.

Notes to the financial statements for the financial year ended 30 June 2006



Note Contents

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the consolidated entity. The financial statements were authorised for issue by the directors on 29 September 2006.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The consolidated entity changed its accounting policies on 1 January 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 January 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the company's and consolidated entity's financial position, financial performance and cash flows is discussed in note 60.

The directors have also elected under s.334(5) of the Corporations Act 2001 to apply Accounting Standard AASB 119 'Employee Benefits' (December 2004), even though the Standard is not required to be applied until annual reporting periods beginning on or after 1 January 2006.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2006, the comparative information presented in these financial statements for the year ended 30 June 2005, and in the preparation of the opening A-IFRS balance sheet at 1 July 2004 (as disclosed in note 1 (s)), the consolidated entity's date of transition, except for the accounting policies in respect of financial instruments. The consolidated entity has not restated comparative information for financial instruments, including derivatives, as permitted under the first-time adoption transitional provisions. The accounting policies for financial instruments applicable to the comparative information and the impact of changes in these accounting policies on 1 January 2005, the date of transition for financial instruments, is discussed further in note 1(s).

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

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(c) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

(d) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

The consolidated entity has classified certain shares and options (refer note 1(ae)) as financial assets at fair value through profit or loss. Financial assets held for trading purposes are classified as current assets and are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in note 59.

Held-to-maturity investments

Bills of exchange and debentures are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets
Certain shares and convertible notes held by the consolidated entity are classified as being available-for-sale and are stated at fair value less impairment. Fair value is determined in the manner described in note 59. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the period.

Loans and receivables
Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

(e) Financial instruments issued by the company

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(f) Foreign currency
Foreign currency transactions
All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Exchange differences are recognised in profit or loss in the period in which they arise except that:

i. exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
ii. exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 1(g)); and
iii. exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

(g) Goods and services tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Goodwill
Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also note 1(o).

(i) Impairment of assets
At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible 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 other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed. 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-generating 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 profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease (refer note 1(aa)).

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 profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase (refer note 1(aa)).

(j) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Cape Lambert Iron Ore Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach*. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(k) Intangible assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

(l) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(m) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 52 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

(n) Property, plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period. The following estimated useful lives are used in the calculation of depreciation:

- Plant and equipment 2.5 – 5.55 years

(o) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(p) Revenue recognition Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(q) 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 a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the consolidated entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(r) Comparative information – financial instruments

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.

The accounting policies applied to accounting for financial instruments in the current financial year are detailed in notes 1(a) to (ad). The following accounting policies were applied to accounting for financial instruments in the comparative financial year:

(a) Accounts payable
Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(b) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(c) Borrowings
Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis. Debentures, bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(d) Investments
Investments other than investments in subsidiaries, associates and joint venture entities are recorded at cost.

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Receivables
Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

Bills of exchange are recorded at amortised cost, with revenue recognised on an effective yield basis

1. Summary of accounting policies (cont'd)

(s) Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The Company 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 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 the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(i) Effect of A-IFRS on the balance sheet as at 1 July 2004

		Consolidated			Company		
	Note	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $
Current assets							
Cash and cash equivalents		6,935,916	-	6,935,916	4,813,787	-	4,813,787
Trade and other receivables		959,518	-	959,518	830,915	-	830,915
Other current assets		11,414	-	11,414	11,414	-	11,414
Total current assets		7,906,848	-	7,906,848	5,656,116	-	5,656,116
Non-current assets							
Receivables		-	-	-	1,447,447	-	1,447,447
Other financial assets		1,590,961	-	1,590,961	16,189,017	-	16,189,017
Property, plant and equipment		140,932	-	140,932	130,067	-	130,067
Deferred exploration and evaluation expenditure		22,240,555	-	22,240,555	8,338,938	-	8,338,938
Total non-current assets		23,972,448	-	23,972,448	26,105,469	-	26,105,469
Total assets		31,879,296	-	31,879,296	31,761,585	-	31,761,585
Current liabilities							
Trade and other payables		1,207,492	-	1,207,492	1,179,101	-	1,179,101
Provisions		27,466	-	27,466	27,466	-	27,466
Total current liabilities		1,234,958	-	1,234,958	1,206,567	-	1,206,567
Total liabilities		1,234,598	-	1,234,958	1,206,567	-	1,206,567
Net assets		30,644,338	-	30,644,338	30,555,018	-	30,555,018
Equity							
Issued capital		31,167,264	-	31,167,264	31,167,264	-	31,167,264
Accumulated losses		(522,926)	-	(522,926)	(612,246)	-	(612,246)
Total equity		30,644,338	-	30,644,338	30,555,018	-	30,555,018

Impacts of the adoption of Australian equivalents to International Financial Reporting Standards
(ii) Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

		Consolidated			Company		
	Note	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $
Revenue from continuing activities	(ii)	1,023,182	(81,320)	941,862	993,972	(81,320)	912,652
Employee benefits expense		(379,711)	-	(379,711)	(379,711)	-	(379,711)
Consultancy expense		(342,330)	-	(342,330)	(342,330)	-	(342,330)
Occupancy expenses		(59,510)	-	(59,510)	(59,510)	-	(59,510)
Compliance and regulatory expense		(70,004)	-	(70,004)	(67,603)		(67,603)
Administration expense		(232,507)	-	(232,507)	(232,191)		(232,191)
Other expenses from ordinary activities		(16,465)	-	(16,465)	(16,104)	-	(16,104)
Depreciation expense		(74,422)	-	(74,442)	(68,709)	-	(68,709)
Impairment of exploration expenditure	(i)	(2,064,979)	(40,976)	(2,105,955)	(1,064,979)	(40,976)	(1,105,955)
Impairment of loan to controlled entity		-	-	-	(890,251)	-	(890,251)
Loss on revaluation of investments		(1,902,516)	-	(1,902,516)	(1,902,516)	-	(1,902,516)
Cost of equity investments disposed	(ii)	(70,000)	70,000	-	(70,000)	70,000	-
Carrying value of plant and equipment disposed	(ii)	(32,781)	32,781	-	(32,781)	32,781	-
Loss on disposal of plant and equipment	(ii)	-	(21,461)	(21,461)	-	(21,461)	(21,461)
Loss before income tax		(4,222,043)	(40,976)	(4,263,019)	(4,132,713)	(40,976)	(4,173,689)
Income tax expense		-	-	-	-	-	-
Loss from continuing operations		(4,222,043)	-	(4,263,019)	(4,132,713)	-	(4,173,689)
Loss for the year		(4,222,043)	(40,976)	(4,263,019)	(4,132,713)	(40,976)	(4,173,689)

(i) Under AASB 6, expenditure incurred before the exploration for and evaluation of mineral resources, such as expenditure before the entity has obtained the legal rights to explore a specific area, shall be expensed as incurred.
For the financial year ended 30 June 2005, $40,976 pre-exploration expenditure has been identified, resulting in a reduction in exploration expenditure carried forward of that amount and a corresponding increase in exploration written off for the year. This adjustments had no material tax or deferred tax consequences.
(ii) For the financial year ended 30 June 2005 "Revenue from continuing activities" has been restated to net off the effect of proceeds on the sale of non current assets against the cost of the assets, to record the profit on disposal.

Impacts of the adoption of Australian equivalents to International Financial Reporting Standards
(iii) Effect of A-IFRS on the balance sheet as at 1 July 2005

		Consolidated			Company		
	Note	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $	Superseded policies $	Effect of transition to A-IFRS $	A-IFRS $
Current assets							
Cash and cash equivalents		1,054,704	-	1,054,704	923,488	-	923,488
Trade and other receivables		134,001	-	134,001	42,913	-	42,913
Other current assets		-	-	-	-	-	-
Total current assets		**1,188,705**	**-**	**1,188,705**	**966,401**	**-**	**966,401**
Non-current assets							
Receivables		141,379	-	141,379	542,201	-	542,201
Other financial assets		1,550,746	-	1,550,746	16,148,802	-	16,148,802
Property, plant and equipment		149,241	-	149,241	144,089	-	144,089
Exploration, evaluation and development expenditure	(i)	23,810,428	(40,976)	23,769,452	9,970,356	(40,976)	9,929,380
Total non-current assets		**25,651,794**	**(40,976)**	**25,610,818**	**26,805,448**	**(40,976)**	**26,764,472**
Total assets		**26,840,499**	**(40,976)**	**26,799,523**	**27,771,849**	**(40,976)**	**27,730,873**
Current liabilities							
Trade and other payables		376,063	-	376,063	1,307,413	-	1,307,413
Provisions		39,632	-	39,632	39,632	-	39,632
Total current liabilities		**415,695**	**-**	**415,695**	**1,347,045**	**-**	**1,347,045**
Total liabilities		**415,695**	**-**	**415,695**	**1,347,045**	**-**	**1,347,045**
Net assets		**26,424,804**	**(40,976)**	**26,383,828**	**26,424,804**	**(40,976)**	**26,383,828**
Equity							
Issued capital		31,169,764	-	31,169,764	31,169,764	-	31,169,764
Accumulated losses		(4,744,960)	(40,976)	(4,785,936)	(4,744,960)	(40,976)	(4,785,936)
Total equity		**26,424,804**	**(40,976)**	**26,383,828**	**26,424,804**	**(40,976)**	**26,383,828**

Effect of A-IFRS on the cash flow statement for the financial year ended 31 December 2004
There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Notes to the reconciliations of equity and income
(i) Under AASB 6, expenditure incurred before the exploration for and evaluation of mineral resources, such as expenditure before the entity has obtained the legal rights to explore a specific area, shall be expensed as incurred.

For the financial year ended 30 June 2005, $40,976 pre-exploration expenditure has been identified, resulting in a reduction in exploration expenditure carried forward of that amount and a corresponding increase in exploration written off for the year. This adjustments had no material tax or deferred tax consequences.

2. Loss from operations

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
(a) Revenue				
Consultancy income	-	100,354	-	100,354
Interest received	532,430	172,338	528,862	143,128
Other	83,980	96,447	81,637	96,447
Foreign exchange gain	230,585	30,927	230,585	30,927
Gain from in-specie distribution	-	24,881	-	24,881
Gain from sale of exploration assets	-	384,091	-	384,091
Gain from sale of equity investments	3,460,483	132,824	3,460,483	132,824
	4,307,478	941,862	4,301,567	912,652
(b) Loss before income tax				
Loss before income tax has been arrived at after (crediting)/ charging the following specific gains and losses from continuing operations:				
Net foreign exchange gains	(230,585)	(30,927)	(230,585)	(30,927)
Depreciation of non-current assets	52,603	72,228	50,889	66,515
Amortisation of non-current assets -leasehold improvements	2,194	2,194	2,194	2,194
Loss on revaluation of listed investments	414,772	1,902,516	414,772	1,902,516
Impairment of investment in controlled entities	-	-	13,557,160	-
(Reversal) of impairment/impairment of loans to controlled entities	-	-	(21,706)	890,251
Exploration write-off (tangible)	6,662,241	1,105,955	5,152,785	1,105,955
Exploration write-off (intangibles)	8,969,801	1,000,000	-	-
Rental expense on operating leases -minimum lease payments	48,066	43,855	48,066	43,855
Proceeds on the disposal of plant and equipment	-	(11,320)	-	(11,320)
Carrying amount of plant and equipment sold	-	32,781	-	32,781
Net loss on disposal of plant and equipment	-	21,461	-	21,461
Proceeds on the disposal of exploration assets	(7,000,000)	(384,091)	(6,232,924)	(384,091)
Carrying amount of exploration assets sold	7,000,000	-	6,232,924	-
Net gain on the disposal of exploration assets	-	(384,091)	-	(384,091)
Proceeds on the disposal of investment assets	(4,099,830)	(202,824)	(4,099,830)	(202,824)
Carrying amount of investment assets sold	639,347	70,000	639,347	70,000
Net gain on the disposal of equity investments	(3,460,483)	(132,824)	(3,460,483)	(132,824)

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
3. Income taxes				
(a) Income tax recognised in profit or loss				
Tax income comprises:				
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	-	-	-	-
Total tax income	-	-	-	-
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Loss from operations	15,030,508	4,263,019	18,092,977	4,173,689
Income tax expense calculated at 30%	(4,509,152)	(1,278,906)	(5,427,893)	(1,252,107)
Increase in income tax due to				
- non-deductible expenses	3,171,989	312,599	3,171,989	12,591
- effect of members of tax consolidated group	-	-	887,485	241,952
- effect of current year tax losses not recognised	1,498,184	239,734	1,498,184	239,734
- derecognition of previously recognised losses	-	780,963	-	780,963
- tax deductible equity raising costs	(161,021)	(54,390)	(129,765)	(23,133)
Income tax attributable to operating loss	-	-	-	-

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

	Consolidated		Company	
	2006	2005	2006	2005
	$	$	$	$
Unrecognised deferred tax balances				
The following deferred tax assets have not been brought to account as assets:				
Deferred Tax Assets				
Tax revenue losses	13,871,998	3,905,599	13,871,998	3,905,599
Investments	258,141	671,289	258,141	671,289
Accruals and provisions	6,462	19,249	7,002	19,249
Prior year expensed black hole costs	165,326	-	165,326	-
Deductible temporary differences	504,065	131,927	472,809	69,415
	14,805,992	4,728,064	14,775,276	4,665,552
The following deferred tax liabilities have not been brought to account as liabilities:				
Deferred Tax Liabilities				
Exploration	(10,351,283)	(2,160,648)	-	(2,061,506)
Exploration in respect of wholly owned subsidiaries	-	-	(10,351,283)	(99,141)
Other items	(17,459)	(488)	(17,999)	(488)
	(10,368,742)	2,161,136	(10,369,282)	(2,161,135)

4. Key management personnel remuneration

The key management personnel of Cape Lambert Iron Ore Limited during the year were:
Ian Burston – Non Executive Chairman (appointed 3 July 2006)
Antony Sage – Executive Chairman
Timothy Turner – Non-Executive Director
Brian Maher – Non-Executive Director (appointed 20 December 2005)
Stockley Davis – Non Executive Director (resigned 17 January 2006)
Peter Del Fante – Non Executive Director (appointed 17 January 2006, resigned 31 March 2006)

There are no persons meeting the definition of a Specified Executive.

(a) Key management personnel remuneration

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel and executives are on a continuing basis, and except as where mentioned below, the terms of such contracts are not expected to change in the immediate future. Upon retirement key management personnel and executives are paid employee benefit entitlements accrued to date of retirement. The company may terminate the contracts without cause by providing one to three months written notice or making payment in lieu of notice based on the individual's annual salary component at industry award redundancy rates.

The following table discloses the remuneration of the directors of the company:

	Primary			Post-employment			Equity		
2006	Salary & Fees $	Bonus $	Non-monetary $	Super-annuation $	Prescribed benefits $	Other $	Options (i) $	Other benefits $	Total $
Ian Burston	-	-	-	-	-	-	-	-	-
Anthony Sage	258,333	-	-	-	-	-	1,006,562	-	1,264,895
Brian Maher	17,400	-	-	-	-	-	-	-	17,400
Timothy Turner	30,000	-	-	-	-	-	150,984	-	180,984
Peter Del Fante	-	-	-	-	-	-	-	-	-
Stockley Davis	-	-	-	-	-	-	100,656	-	100,656
Total	305,733	-	-	-	-	-	1,258,202	-	1,563,935

(i) The fair value of the Options is calculated at the date of grant using a Black-Scholes model. Further details are set out in Note 5 to the Financial Statements.

	Primary			Post-employment			Equity		
2005	Salary & Fees $	Bonus $	Non-monetary $	Super-annuation $	Prescribed benefits $	Other $	Options (i) $	Other benefits $	Total $
Ian Burston	-	-	-	-	-	-	-	-	-
Anthony Sage	250,000	-	-	-	-	-	-	-	250,000
Robert Annett	132,800	-	-	11,952	-	-	-	-	144,752
Brian Maher	30,000	-	-	-	-	-	150,984	-	-
Timothy Turner	-	-	-	-	-	-	-	-	9,000
Peter Del Fante	9,000	-	-	-	-	-	100,656	-	-
Stockley Davis	-	-	-	-	-	-	1,258,202	-	-
Kent Hunter	6,250	-	-	562	-	-	-	-	6,812
Total	398,050	-	-	12,514	-	-	-	-	410,564

(ii) An aggregate amount of $250,000 (2005:$250,000) was paid or was due and payable to Okewood Pty Ltd, a company controlled by Mr Antony Sage, for the provision of financial and management consulting services to the economic entity.

(iii) An aggregate amount of $30,000 (2005:$9,000) was paid, or was due and payable to Corporate Resource and Mining Services Pty Ltd, a company controlled by Mr Timothy Turner, for the provision of director services to the economic entity.

Employment Contracts of Directors and Senior Executives

The employment conditions of the executive director, Tony Sage was approved by the Board on 17 June 2006 and a salary of $350,000 (2005: $250,000) per annum plus GST.

The employment conditions of the managing director, Ian Burston was approved by the Board on 3 July 2006 and a salary of $350,000 per annum plus GST.

Under the terms of both contracts, employment may be terminated by the Company or respectively either Mr Burston or Sage (whichever relevant) by giving the other 4 weeks notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are four weeks lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

The employment contracts are for a period of three (3) years from the date of entering the agreement.

5. Share-based payment arrangements

The following share-based payment arrangements were in existence during the period:

Options series	Number	Grant date	Expiry date	Exercise price $	Fair value at grant date $
31 October 2008	12,500,000	20.12.05	31.10.08	0.277	0.101
09 February 2009	500,000	09.02.04	09.02.09	0.367	0.061
22 October 2008	550,000	22.10.03	22.10.08	0.427	0.160

The fair value of options granted during the year was $1,258,202. The options were issued to Directors and consultants to the Company for no consideration as part of their remuneration packages. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of the share options granted during the financial year is $0.101 (2005: nil). Options were priced using the Black and Scholes model. Expected volatility is based on the historical volatility. No allowance has been made for the effects of early exercise.

	Options series		
Inputs into the model	October 31 2008	February 9 2009	October 22 2008
Grant date share price	$0.300	$0.345	$0.365
Exercise price	$0.300 (i)	$0.390 (i)	$0.450 (i)
Expected volatility	60%	50%	50%
Option life	2.863 years	5.0 years	5.0 years
Dividend yield	-	-	-
Risk-free interest rate	5.70%	4.85%	4.85%

(i) pursuant to the in-specie distribution of the Company's holding in International Goldfields Limited, the exercise price of all options was reduced by 2.3 cents.

The following reconciles the outstanding incentive share options granted by the Company at the beginning and end of the financial year:

	2006		2005	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of the financial year	4,150,000	0.405	9,600,000	0.400
Granted during the financial year	12,500,000	0.277	1,050,000	0.390
Forfeited during the financial year	-	-	-	-
Exercised during the financial year (i)	-	-	-	-
Expired during the financial year	(3,100,000)	0.400	6,500,000	0.350
Balance at end of the financial year (ii)	13,550,000	0.349	4,150,000	0.405
Exercisable at end of the financial year	13,550,000	0.349	4,150,000	0.405

(i) Exercised during the financial year

There were no share options granted under the Cape Lambert Employee Option Scheme exercised during the financial year.

(ii) Balance at end of the financial year

The incentive share options outstanding at the end of the financial year had a weighted average exercise price of $0.349 and the weighted average remaining contractual life was 857 days.

	Consolidated		Company	
6. Remuneration of auditors	**2006** $	**2005** $	**2006** $	**2005** $
Auditor of the parent entity				
Audit or review of the financial report	31,750	28,074	31,750	26,938
Taxation services	-	-	-	-
Other non-audit services	-	-	-	-
	31,750	28,704	31,750	26,938

The auditor of Cape Lambert Iron Ore and controlled entities is Ord Partners.

7. Current trade and other receivables

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
GST recoverable and other debtors	390,508	134,001	394,707	42,913
	390,508	134,001	394,707	42,913

8. Non-current trade and other receivables

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Amounts receivable from wholly owned subsidiaries	-	-	868,545	1,291,073
Provision for impairment	-	-	(868,545)	(890,251)
	-	-	-	400,822

9. Financial assets

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Available-for-sale:				
At fair value (2005: fair value):				
Shares in listed entities	2,810,016	1,550,746	2,810,016	1,550,746
At cost (2005:cost)				
Shares in controlled entities	-	-	46,086,511	14,598,056
Less provision for impairment	-	-	(13,557,160)	-
	-	-	32,529,351	14,598,056
	2,810,016	1,550,746	35,339,367	16,148,802

10. Other non-current assets

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Deposits	155,376	141,379	155,376	141,739

The deposits are term deposits held with the National Australia Bank as bonds for the potential rehabilitation of exploration assets held. As such, the term deposits are not accessible to the consolidated entity and the Company.

11. Plant and equipment

	Consolidated		Company	
	2006 $	2005 $	2006 $	2005 $
Plant and Equipment				
At cost	374,765	316,660	337,090	279,886
Accumulated depreciation	(224,073)	(170,571)	(189,836)	(138,949)
	150,692	146,089	147,254	140,937
Leasehold Improvements				
At cost	16,438	16,438	16,438	16,438
Accumulated depreciation	(15,480)	(13,286)	(15,480)	(13,286)
	958	3,152	958	3,152
Total Property, Plant and Equipment	151,650	149,241	148,212	144,089

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	Consolidated Entity			Parent Entity		
2006	Plant & equipment $	Leasehold improve-ments $	Total $	Plant & equipment $	Leasehold improve-ments $	Total $
Balance at beginning of the year	146,089	3,152	149,241	140,937	3,152	144,089
Additions	57,206	-	57,206	57,206	-	57,206
Depreciation expense	(52,603)	(2,194)	(54,797)	(50,889)	(2,194)	(53,083)
Carrying amount at 30 June 2006	150,692	958	151,650	147,254	958	148,212
2005						
Balance at beginning of the year	135,586	5,346	140,932	124,721	5,346	130,067
Additions	115,532	-	115,532	82,731	-	82,731
Disposals	(32,871)	-	(32,781)	-	-	-
Depreciation expense	(72,248)	(2,194)	(74,442)	(66,515)	(2,194)	(68,709)
Carrying amount at 30 June 2005	146,089	3,152	149,241	140,937	3,152	144,089

12. Exploration evaluation and development assets	Consolidated 2006 $	2005 $	Company 2006 $	2005 $
Costs carried forward in respect of areas of interest in:				
Exploration and evaluation phases – at cost (Note 12a)	3,015,821	8,202,159	-	6,871,688
Fair value of exploration assets acquired	31,488,455	12,509,581	-	-
Development costs (Note 12b)	-	3,057,692	-	3,057,692
Carried forward exploration, evaluation and development expenditure	34,504,276	23,769,452	-	9,929,380
(a) Exploration and evaluation phases – at cost				
Movement in carrying amounts				
Brought forward	20,711,740	21,407,797	6,871,688	7,506,160
Write off of exploration expenses	(15,632,042)	(2,105,955)	(5,152,785)	(1,105,955)
Reversal of impairment on exploration assets acquired	493,725	-	493,725	-
Exploration and evaluation expenditure capitalised during the year	1,384,706	1,409,918	762,604	471,483
Consideration for exploration assets acquired during the year – at valuation	31,488,455	-	-	-
Exploration assets disposed of during the year	(3,942,308)	-	(2,975,232)	-
Total exploration and evaluation phases	34,504,276	20,711,760	-	6,871,688
(b) Development				
Movement in carrying amounts				
Brought forward	3,057,692	832,778	3,057,692	832,788
Development expenditure capitalised during the year	-	2,224,914	-	2,224,914
Development expenditure disposed of during the year	(3,057,692)	-	(3,057,692)	-
At reporting date	-	3,057,692	-	3,057,692
Total	34,504,276	23,769,452	-	9,929,380

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The economic entity's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Aboriginal people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

	Consolidated		Company	
13. Current trade and other payables	**2006** $	**2005** $	**2006** $	**2005** $
Unsecured				
Trade payables	879,216	323,225	852,979	303,880
Other creditors and accruals	-	52,838	-	35,200
Amounts payable to wholly owned subsidiaries	-	-	1,041,018	968,333
	879,216	376,063	1,893,997	1,307,413
14. Current provisions				
Employee benefits				
	-	39,632	-	39,632
No. of employees at year end	-	39,632	-	39,632
	1	1		

	Consolidated		Company	
15. Issued capital	**2006** $	**2005** $	**2006** $	**2005** $
249,324,531 fully paid ordinary shares (2005: 139,164,532)	52,993,719	31,169,764	52,993,719	31,169,764

	2006		2005	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of financial year	139,164,532	31,169,764	139,153,532	31,167,264
Issue of shares on 12 July 2004	-	-	11,000	2,750
Issue of shares pursuant to Mt Anketell acquisition	36,656,799	10,997,040	-	-
Issue of shares pursuant to the Prospectus dated 21 November 2005	73,343,799	22,002,960	-	-
Options exercised 19 May 2006	155,000	42,935	-	-
Options exercised 16 May 2006	5,000	1,385	-	-
Capital reduction – In specie distribution of IGC Shares	-	(5,663,049)	-	-
Transaction costs relating to share issues	-	(5,557,316)	-	(250)
Balance at end of financial year	249,324,531	52,993,719	139,164,532	31,169,764

On 15 December 2005 the Company issued 36,656,799 ordinary shares at 30 cents each pursuant to the Share Sale Agreement with Mt Anketell.

On 15 December 2005 the Company issued 73,343,200 ordinary shares at 30 cents each pursuant to the Prospectus dated 21 November 2005.

On 27 April 2006 the Company implemented a capital reduction by way of an in-specie distribution of 28,315,245 ordinary shares in International Goldfields Limited (ASX Code IGC) to its shareholders at a deemed price of 20 cents per share (total $5,663,049).

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders meetings each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

16. Reserves	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Share based payments reserve	16,526,778	-	16,526,778	-
Asset appreciation reserve	138,130	-	138,130	-
	16,664,908	-	16,664,908	-
(a) Share based payments reserve				
Balance at beginning of financial year	-	-	-	-
Options issued 15 December 2005 (i)	4,263,860	-	4,263,860	-
Options issued 15 December 2005 (ii)	4,069,787	-	4,069,787	-
Options issued 15 December 2005 (iii)	3,154,808	-	3,154,808	-
Options issued 15 December 2005 (iv)	3,780,121	-	3,780,121	-
Options issued 20 December 2005 (v)	1,258,202	-	1,258,202	-
Balance at end of financial year	16,526,778	-	16,526,778	-

(a) Share based payments reserve

(i) On 15 December 2005 the Company issued 50,000,000 30 cent 31 October 2008 options pursuant to the Share Sale Agreement with Mt Anketell.

(ii) 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.

(iii) 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.

(iv) On 15 December 2005 the Company issued 37,500,000 free 30 cent 31 October 2008 options to consultants and advisers to the Company.

(v) On 20 December 2005 the Company issued 12,500,000 free 30 cent 31 October 2008 options to Directors of the Company.

These share options carry no rights to dividends and no voting rights. Further details of the share based payments are contained in note 4 to the financial statements.

(b) Asset revaluation reserve	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at beginning of financial year	-	-	-	-
Change in fair value of available for sale financial assets	138,130	-	138,130	-
Balance at end of financial year	138,130	-	138,130	-
17. Accumulated losses				
Balance at beginning of financial year	(4,785,936)	(522,917)	(4,785,936)	(612,247)
Loss for the year	(15,030,508)	(4,263,019)	(18,092,977)	(4,173,689)
Balance at end of financial year	(19,816,444)	(4,785,936)	(22,878,913)	(4,785,936)

18. Loss per share

	Consolidated 2006 Cents per share	2005 Cents per share
Basic loss per share	7.57	3.06
Diluted loss per share	5.03	3.06

Basic loss per share
The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2006 $	2005 $
Loss for the year	15,030,508	4,263,019
	2006 No.	**2005 No.**
Weighted average number of ordinary shares for the purposes of basic loss per share	198,552,847	139,249,886

Diluted earnings per share
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as fol ows:

	2006 $	2005 $
Loss	15,030,508	4,263,019
	2006 No.	**2005 No.**
Weighted average number of ordinary shares for the purposes of diluted loss per share	299,028,437	139,249,886

(a) The weighted average number of ordinary shares for the purposes of diluted loss per share reconciles to the weighted average number of ordinary shares used in the calculation of basic loss per share as follows:

	Consolidated 2006 No.	2005 No.
Weighted average number of ordinary shares used in the calculation of basic loss per share	198,552,847	139,249,886
Weighted average of listed options issued pursuant to Prospectus	93,918,700	-
Weighted average of Director options issued pursuant to shareholder approval	6,575,342	-
Weighted average of listed options converted	(18,452)	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share	299,028,437	139,249,886

(b) The following potential ordinary shares are not dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share:

	2006 $	2005 $
Unlisted options issued pursuant to Mt Anketell acquisition exercisable at $0.377 on or before 31 October 2010	40,000,000	-
Options issued pursuant to employee Incentive Option Scheme	1,050,000	1,050,000
Options issued to Directors pursuant to shareholder approval	-	9,600,000
	41,050,000	10,650,000

19. Commitments for expenditure		Company and Consolidated 30 June 2006 $	Company and Consolidated 30 June 2005 $
Operating lease commitments			
Minimum lease payments not provided for in the financial report and payable:	(i)		
• not later than one year		42,000	39,000
• later than one year but not later than five years		-	42,000
• later than five years		-	-
• aggregate expenditure contracted for at balance date but not provided for		42,000	81,000

(i) The Company entered into a lease commencing on 1 July 2002 for office premises at 22 Oxford Place, Leederville, for a period of 5 years, terminating on 30 June 2007.

Mineral tenement discretionary commitments

In order to maintain current rights of tenure to mining tenements, the economic entity has the following discretionary exploration expenditure requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and
are payable:

	Economic Entity		Parent Entity	
	2006 $	2005 $	2006 $	2005 $
• Not longer than one year	746,244	756,360	-	756,360
• Longer than one year, but not longer than five years	798,720	3,025,440	-	3,025,440
• Longer than five years	-	756,360	-	756,360
	1,544,964	4,538,160	-	4,538,160

If the economic entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

20. Contingent liabilities

The economic entity has no contingent liabilities or assets at the year end.

21. Subsidiaries

Name of entity	Country of incorporation	Ownership interest 2006 %	Ownership interest 2005 %
Parent entity			
Cape Lambert Iron Ore Limited	Australia	-	-
Subsidiaries			
International Goldfields (Romania) Pty Ltd	Australia	100%	100%
Dempsey Resources Pty Ltd	Australia	100%	100%
Evanston Resources Pty Ltd	Australia	100%	100%
Mt Anketell Pty Ltd	Australia	100%	-

22. Acquisition of businesses

Names of businesses acquired	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition $
2006				
Mt Anketell Pty Ltd	Exploration	16 December 2005	100%	31,488,455

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.

Net assets acquired	Mt Anketell Pty Ltd Book value $	Fair value adjustment $	Fair value on acquisition $
Non-current assets:			
Exploration and evaluation expenditure	-	31,488,455	31,488,455
		31,488,455	31,488,455

Further details of the business aquired during the financial year are disclosed in note 26(b).

23. Segment information

The group has two geographic segments, being Australia and Romania and one business segment, mineral mining and exploration and substantially all of the entity's resources are deployed for this purpose.

Geographical segment revenues

	External sales		Inter segment (i)		Other revenue from ordinary activities		Total	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Australia	-	-	-	-	4,307,478	941,862	4,307.478	941,862
Romania	-	-	-	-	-	-	-	-
Consolidated							4,307,478	941,862

Geographical segment result

	2006 $	2005 $
Australia	(15,030,508)	(4,263,019)
Romania	-	-
Loss before income tax expense	(15,030,508)	(4,263,019)
Income tax expense	-	-
Loss for the year	(15,030,508)	(4,263,019)

Geographical segment assets and liabilities

	Assets		Liabilities	
	2006 $	2005 $	2006 $	2005 $
Australia	47,963,148	24,074,980	879,216	415,695
Romania	2,758,251	2,724,543	-	-
Consolidated	50,721,399	26,799,523	879,216	415,695

Other geographical segment information

	Australia		Romania		Total	
	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Acquisition of segment assets	39,896,658	1,232,068	33,708	293,382	39,930,366	1,525,450
Impairment losses	16,046,814	4,008,471	-	-	16,046,814	4,008,471
Reversals of impairment losses	493,725	-	-	-	493,725	-
Depreciation and amortisation of segment assets	54,797	74,422	-	-	54,797	74,422

Further details of the businesses acquired during the financial year are disclosed in note 26(b).

24. Related party disclosures
(a) Equity interests in related parties
Equity interests in subsidiaries
Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 21 to the financial statements.

(b) Key management personnel remuneration
Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

(c) Key management personnel equity holdings
Fully paid ordinary shares of Cape Lambert Iron Ore Limited

2006	Balance at 01/07/05	Balance held on appointment	Received on exercise of options	On Market purchases	Balance at 30/06/06	Balance held nominally
	No.	No.	No.	No.	No.	No.
Anthony Sage	11,930,075	-	-	-	11,930,075	-
Timothy Turner	544,004	-	-	-	544,004	-
Ian Burston	-	-	-	500,000	500,000	-
Brian Maher	-	15,000	-	50,000	65,000	-
Peter Del Fante	-	-	-	-	-	-
Stockley Davis	-	-	-	-	-	-
	12,474,079	550,000	-	550,000	13,039,079	-

Share options of Cape Lambert Iron Ore Limited

2006	Balance at 01/07/05	Granted as remun-eration	Exercised	Net other change	Balance at 30/06/06	Balance vested at 30/06/06	Vested but not exercisable	Vested and exercisable	Options vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Anthony Sage	700,000	10,000,000	-	(740,000) (i)	9,960,000	9,960,000	-	9,960,000	10,000,000
Timothy Turner	-	1,500,000	-	-	1,500,000	1,500,000	-	1,500,000	1,500,000
Ian Burston	-	-	-	-	-	-	-	-	-
Brian Maher	-	-	-	1,350,000 (ii)	1,350,000	1,350,000	-	1,350,000	-
Peter Del Fante	-	-	-	-	n/a	n/a	n/a	n/a	n/a
Stockley Davis	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000	1,000,000
	700,000	12,500,000	-	610,000	13,810,000	13,810,000	-	13,810,000	12,500,000

(i) 700,000 options lapsed on 31 August 2005. 40,000 options sold off market.
(ii) 350,000 options purchased on market, 1,000,000 options granted as part of consultants options issued 15 December 2005, prior to Mr Maher's appointment to the Board on 20 December 2005.

All share options issued to directors during the financial year were made under the terms and conditions as approved in general meetings by Shareholders.

During the financial year, no options were exercised by directors and executives for ordinary shares in Cape Lambert Iron Ore Limited.

Further details of the Cape Lambert Iron Ore Limited Employee Option Scheme and of share options granted during the financial year is contained in notes 4 and 5 to the financial statements.

Fully paid ordinary shares of Cape Lambert Iron Ore Limited

2005	Balance at 01/07/04 No.	Balance held on appointment No.	Balance held on resignation No.	On Market purchases No.	Balance at 30/06/05 No.	Balance held nominally No.
Anthony Sage	10,500,075	-	-	1,430,000	11,930,075	-
Timothy Turner	-	394,004	-	150,000	544,004	-
Ian Burston	-	-	-	-	-	-
Brian Maher	-	-	-	-	-	-
Peter del Fante	-	-	-	-	-	-
Stockley Davis	-	-	-	-	-	-
Robert Annet	-	-	-	n/a	n/a	n/a
Kent Hunter	423,916	-	423,916	n/a	n/a	n/a
	10,923,991	394,004	423,916	1,580,000	12,474,079	-

Share options of Cape Lambert Iron Ore Limited

2005	Balance at 01/07/04 No.	Granted as remuneration No.	Exercised No.	Balance on resignation No.	Balance at 30/06/05 No.	Balance vested at 30/06/05 No.	Vested but not exercisable No.	Vested and exercisable No.	Options vested during year No.
Anthony Sage	700,000	-	-	-	700,000	700,000	-	700,000	700,000
Timothy Turner	-	-	-	-	-	-	-	-	-
Ian Burston	-	-	-	-	-	-	-	-	-
Brian Maher	-	-	-	-	-	-	-	-	-
Peter del Fante	-	-	-	-	-	-	-	-	-
Stockley Davis	-	-	-	-	-	-	-	-	-
Robert Annet	500,000	-	-	500,000	n/a	n/a	n/a	n/a	n/a
Kent Hunter	400,000	-	-	400,000	n/a	n/a	n/a	n/a	n/a
	1,600,000	-	-	900,000	700,000	700,000	-	700,000	700,000

(d) Transactions with other related parties
Other related parties include:
- subsidiaries;
- former key management personnel.

Amounts receivable and payable from these related parties are disclosed in notes 4 and 8 to the financial statements.

(e) Parent entity
The ultimate Australian parent entity is Cape Lambert Iron Ore Limited.
Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

25. Subsequent events

No event has arisen since 30 June 2006 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.

26. Notes to the cash flow statement

	Consolidated		Company	
(a) Reconciliation of cash and cash equivalents	2006 $	2005 $	2006 $	2005 $
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:				
Cash and cash equivalents	12,709,573	1,054,704	12,636,409	923,488
(b) Businesses acquired				
During the financial year, one business was acquired. Details of the acquisition are as follows:				
Consideration				
Cash and cash equivalents	-	-	8,902,960	-
Ordinary shares	-	-	10,997,04	-
Options over ordinary shares	-	-	11,488,455	-
Other – Option fee - cash	-	-	100,000	-
	-	-	31,488,455	-
Assets and liabilities acquired at acquisition date	-	-	-	-
Exploration and evaluation expenditure	-	-	31,488,455	-
	-	-	31,488,455	-
Net cash outflow on acquisition				
Cash and cash equivalents consideration	-	-	9,002,960	-
Less cash and cash equivalent balances acquired	-	-	-	-
	-	-	9,002,960	-
(c) Loss from ordinary activities	(15,030,508)	(4,263,019)	(18,092,977)	(4,173,689)
Gain on sale or disposal of investments	(3,460,483)	(132,824)	(3,460,483)	(132,824)
Loss on sale or disposal of investments	9,952	-	9,952	-
Loss on revaluation of investments	414,772	1,902,516	414,772	1,902,516
Impairment of investment in controlled entities	-	-	13,557,160	-
Depreciation and amortisation of noncurrent assets	54,797	74,422	53,083	68,709
Foreign exchange (gain)/loss realised on disposal of financial assets held for resale	(230,585)	-	(230,585)	-
Equity settled share-based payment	1,258,204	-	1,258,204	-
Impairment of exploration assets	15,632,042	2,105,955	5,152,785	1,105,955
Reversal of impairment of exploration assets	(493,725)	-	(493,725)	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
Current receivables	(256,508)	695,221	(367,236)	232,229
Exploration, evaluation and development expenditure	(1,383,005)	(4,367,499)	(688,239)	(1,954,644)
Increase/(decrease) in liabilities:				
Current payables	425,126	(831,123)	429,608	(840,021)
Current provisions	(39,632)	12,166	(39,632)	12,166
Net cash from operating activities	(3,099,553)	(4,804,185)	(2,497,314)	(3,779,603)

27. Financial instruments

(a) Financial risk management objectives

The consolidated entity's Board manages the financial risks relating to the operations of the consolidated entity.

The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Company's policies approved by the Board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the directors on a continuous basis.

The consolidated entity's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

Maturity profile of financial instruments

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2006:

2006	Weighted average effective interest rate %	Variable $	Maturity dates: Less than 1 year $	Maturity dates: 1–5 years $	Maturity dates: More than 5 years $	Non interest bearing $	Total $
Financial assets:							
Cash and cash equivalents	5.74	726,380	11,983,193	-	-	-	12,709,573
Trade and other receivables		-	-	-	-	390,508	390,508
Other financial assets	0.0	-	155,376	-	-	2,810,016	2,965,392
		726,380	12,138,569	-	-	3,200,524	16,065,473
Financial liabilities:							
Trade payables	0.0	-	-	-	-	879,216	879,216
		-	-	-	-	879,216	879,216
Net financial assets		726,380	12,138,569	-	-	2,321,308	15,186,257

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

2005	Weighted average effective interest rate %	Variable $	Maturity dates: Less than 1 year $	Maturity dates: 1–5 years $	Maturity dates: More than 5 years $	Non interest bearing $	Total $
Financial assets:							
Cash and cash equivalents	5.32	774,056	280,648	-	-	-	1,054,704
Trade and other receivables		-	-	-	-	134,001	134,01
Other financial assets	0.0	-	141,379	-	-	1,550,746	1,692,125
		774,056	422,027	-	-	1,684,747	2,880,830
Financial liabilities:							
Trade payables	0.0	-	-	-	-	376,063	376,063
		-	-	-	-	376,063	376,063
Net financial assets		774,056	422,027	-	-	1,308,684	2,504,767

(d) Fair value of financial instruments

The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

(e) Liquidity risk management

The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

28. Additional company information
Cape Lambert Iron Ore Limited is a listed public company, incorporated and operating in Australia and Europe.

Registered office + Principal place of business
18 Oxford Close
West Leederville
Western Australia 6008

Additional stock exchange information as at 22 September 2006

Number of holders of equity securities

Ordinary share capital

• 249,324,531 fully paid ordinary shares are held by 2,511 individual shareholders.
All issued ordinary shares carry one vote per share and are entitled to dividends.

Options

Options do not carry a right to vote.

Distribution of holders of equity securities

	Ordinary Shares
1–1,000	121
1,001–5,000	452
5,001–10,000	501
10,001–100,000	1,250
100,001 and over	187
	2,511
Holding less than a marketable parcel	121

Substantial shareholders

	Fully Paid	
Ordinary shareholders	Number	Percentage
J P Morgan Nominees Australia Limited	22,122,000	8.872
Power United Limited	18,328,363	7.351

Twenty largest holders of quoted equity securities

	Fully Paid	
	Number	Percentage
National Nominees Limited	41,568,904	16.672
ANZ Nominees Limited	23,157,791	9.288
J P Morgan Nominees Australia Limited	22,122,000	8.872
Power United Limited	18,328,363	7.351
Antony William Paul Sage	11,720,075	4,700
Westpac Custodian Nominees Limited	11,094,774	4,449
Computershare Clearing Pty Ltd <CCNL DI A/C>	6,316,852	2.533
Battle Mountain Pty Ltd	4,998,631	2,004
Henry Kai Tong Au	4,473,809	1,794
Equitech Investments Limited	2,562,050	1,027
HSBC Custody Nominees	1,810,000	0.725
June Van Rens	1,550,000	0.621
Jane Elizabeth Glass	1,500,000	0.601
Steven Jan Zielinski & Karen Lyn Zielinski <Mauvista Park Super A/C>	1,500,000	0.601
Russell Neil Creagh	1,243,763	0.498
Project Management & Engineering Pty Ltd	1,224,000	0.490
Nefco Nominees Pty Ltd	1,158,115	0.464
Whitey Tiger Pty Ltd <WTL A/C>	1,000,000	0.401
Isaac Cohen & Estelle Mary Cohen & David Peter Cohen <Cohen Family Super Fund A/C>	1,000,000	0.401
Ana Paula Lawson	952,037	0.381
	159,281,164	63.873

Project	Tenement	Equity %
Mt Anketell		
Mt Anketell	E47/1462	100
Mt Anketell	ELA47/1493	100
Jubuk		
Jubuk	E70/2504	METS
Pingaring		
Pingaring	E70/2482	100
Sacu		
Sacu	E208/1999	100

Notes:
E = Granted Exploration Licence
ELA = Exploration Licence Application

Company secretary
Timothy Turner

Registered office + Principal place of business
18 Oxford Close
West Leederville
Western Australia 6008

Cape Lambert Iron Ore Ltd

Share registry
Advanced Share Registry Services
110 Stirling Highway
Nedlands WA 6009

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