

31 January 2013

QUARTERLY REPORT – 31 December 2012

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 2012.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

Cape Lambert is an Australian domiciled, mineral investment company. Its current investment portfolio is geographically diverse and consists of mineral assets and interests in mining and exploration companies.

The Company continues to focus on investment in early stage resource projects and companies, primarily in iron ore, copper and gold. Its “hands on” approach is geared to add value and position assets for development and/or sale.

The Board and management exhibit a strong track record of delivering shareholder value.

Australian Securities Exchange Code: CFE

Ordinary shares
688,308,792

Unlisted Options
11,710,000 (\$0.29 exp 22 Nov 2013)

Board of Directors

Tony Sage Executive Chairman
Tim Turner Non-executive Director
Brian Maher Non-executive Director
Ross Levin Non-executive Director

Claire Tolcon
Company Secretary

Key Projects and Interests

Marampa Iron Ore Project
Pinnacle Group Assets
International Goldfields Limited

Cape Lambert Contact

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HIGHLIGHTS

Corporate

- At 31 December 2012, the Company had approximately A\$49.6million in cash at bank.
- Following discussions with the Australian Taxation Office (“ATO”) in respect to the Notice of Amended Tax Assessment and Penalty Notice, the Company agreed to an arrangement for payment of half the primary tax and shortfall interest charge assessed pending the outcome of the objections lodged by the Company. Under this arrangement, a total of approximately \$33,300,000 will be paid by the Company in instalments by 31 March 2013. No further amounts will be required to be paid by the Company until the final determination of the dispute and no collection action will be taken by the ATO until this time.
- On Market Share Buy-Back of up to 10% of the Company’s fully paid ordinary shares (“Shares”) announced as part of a capital management program. Post quarter end, the Company commenced buying back its Shares pursuant to the On Market Share Buy-Back.
- Annual General Meeting held and all resolutions passed on a show of hands.

Projects

Marampa Iron Ore Project

- The Company lodged the Environmental and Social Impact Assessment document with the authorities, to commence the environmental permitting process for Marampa. The environmental licence is expected to be issued during Q1 2013.
- Preliminary results from ongoing metallurgical testing has highlighted the possibility of simplifying the planned WHIMS process flowsheet, which is likely to result in reduced capital and operating costs.

Sandenia Project – Guinea

- Significant intercepts from trenching completed in the quarter include:
 - SATR007A1: 26m at 32.5% Fe; and
 - SATR007B: 20m at 32.5% Fe and 44m at 39.05% Fe.

Australis Exploration Limited

- Stratigraphic drilling at EPM15694 indicates that rocks of the Mt Isa inlier extend as far south as the Mojo tenements along with Mt Isa alteration with similar characteristics and evidence of base metal mineralisation. These results are considered significant in the context of a greenfields discovery.

Leichhardt Copper Project

- Results from drilling of copper soil anomalies within trucking distance to the Mt Cuthbert plant are encouraging with the following significant intersections:
 - MSRC002: 4m at 2.21% Cu from 20m;
 - MSRC003: 7m at 0.94% Cu from 22m;
 - MSRC003: 3m at 1.22% Cu from 32m;
 - MSRC006: 3m at 1.17 % Cu from 10m;
 - AW4RC004, 4m at 1.39% Cu from 20m; and
 - WCRC005, 4m at 2.52% Cu from 18m.

CORPORATE

Strategy and Business Model

Cape Lambert Resources Limited (“Cape Lambert” or the “Company”) (**ASX: CFE**) is an Australian domiciled, resources and investment company, with interests in a number of resource projects and companies.

Through strategic acquisitions and subscriptions to convertible notes the Company has exposure to iron ore, copper, gold, uranium and phosphate assets in Australia, Greece, Africa and South America (refer Figure 1).

The Company’s strategy is to acquire and invest in undervalued and/or distressed mineral assets and companies (“Assets”), and to add value to those Assets through a hands on approach to management, exploration and evaluation to enable the Assets to be converted into cash at a multiple, and to retain exposure to the Assets through a production royalty and/or equity interest. As Assets are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

Capital Management

On Market Buy-Back

During the quarter, the Company announced an on market share buy-back of up to 10% of the Company’s fully paid ordinary shares (“Shares”) within the 12 months from 18 December 2012. Shares bought back by the Company will be subsequently cancelled.

Canaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back.

Post quarter end, the Company paid \$235,500 to buy back 900,000 Shares. As at 31 January 2013, there are 67,910,879 shares remaining that may be bought back under this facility.

Asset Divestment

Leichhardt Copper Project

During the 2012 June quarter, the Company entered into a conditional binding terms sheet to sell its wholly owned subsidiary Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project located 100km north east of Mt Isa (refer ASX announcement 11 May 2012) (the “Transaction”).

As stated in the Company’s 2012 September quarterly report, due diligence by the purchaser had been delayed as a result of a delay by the purchaser in undertaking a site visit to the project.

During the current quarter, the Company announced that pursuant to a variation agreement, settlement of the conditional agreement for the sale of Cape Lambert Leichhardt Pty Ltd has been agreed for on or before 15 March 2013.

As announced on 28 November 2012, the terms of the consideration payable by the purchaser to the Company for the Transaction have been varied to the following:

- (a) A\$10million on settlement of the Transaction;
- (b) A\$2.5million on that date 24 months after the settlement date; and
- (c) A\$2.5million on that date 36 months after the settlement date.

The payments are no longer the subject of reduction for refurbishment costs of the Leichhardt Copper Project exceeding A\$12million (refer ASX Announcement dated 11 May 2012).

Legal Action and Disputes

ATO Notice of Amended Tax Assessment and Associated Penalty Notice

In May 2012, the Company received a Notice of Amended Assessment from the Australian Taxation Office ("ATO"), together with an associated penalty notice ("Amended Assessment"). The Amended Assessment results from an audit by the ATO and relates to a number of issues which the Company disputes. The additional income taxes payable that have been assessed by the ATO primarily relate to the following key matters:

- The ATO has assessed that income tax should have been paid in 2009 on the fair value of the contingent receivable due from MCC and have determined a fair value of \$56,300,000 (tax effect of \$16,890,000) for this purpose.
- The ATO has assessed that deductions claimed for exploration arising from the acquisition of the Lady Annie and Lady Loretta projects in the 2009 year of \$137,526,510 (Tax effect of \$41,257,953) were not immediately deductible against 2009 taxable income. These deductions would then be realized in subsequent years when these projects were sold; and
- Following the adjustments above, the ATO have also assessed other adjustments that give rise to an increase in carried forward tax losses amounting to \$1,684,128 (tax effect of \$505,238).

The Company strongly contests all of the amounts assessed and will vigorously defend its position. To this end, the Company has lodged an objection in relation to the Amended Assessment.

Following discussions with the ATO during the quarter in respect to the Amended Assessment, the Company reached an agreement with the ATO to pay half the primary tax and shortfall interest charge assessed pending the outcome of the objections lodged by the Company.

Under this arrangement, a total of approximately \$33,300,000 will be paid by the Company in instalments by 31 March 2013. After this time the rate of general interest charge accruing on the unpaid balance of disputed tax and shortfall interest charge will be reduced by half.

No further amounts will be required to be paid by the Company until the final determination of the dispute and no collection action will be taken by the ATO until this time. If the dispute is resolved in the Company's favour, then the amounts paid will be repayable together with interest at the prescribed rate.

MCC Legal Action

On 8 September 2010, Cape Lambert announced that it had commenced legal action against MCC Australia Sanjin Mining Pty Ltd ("MCC Sanjin"), and its parent company Metallurgical Corporation of China Limited (collectively "MCC") to recover the final A\$80 million payment from the sale of the Cape Lambert magnetite project in mid-2008 pursuant to an agreement between the parties ("MCC Agreement"). In accordance with the terms of the MCC Agreement, Cape Lambert received

payments totalling A\$320 million in 2008, with the final payment due on the grant of mining approvals, or if MCC has not used its reasonable endeavours to procure the mining approvals, within two years.

Legal proceedings were instigated in the Supreme Court of Western Australia after discussions between MCC and Cape Lambert to resolve the non-payment proved unsuccessful.

In August 2012, the Court made orders, inter alia, for the dispute to be determined by an arbitrator in Singapore and for the Company to propose (such proposal to be consented to by the MCC parties) that the dispute between the Company and MCC China (in respect to the payment of A\$80million into an escrow account pending determination of the primary dispute) be heard and determined by the arbitrator prior to the hearing of the disputes between the Company and MCC Sanjin.

The Company has referred the dispute to arbitration in Singapore and has appealed the orders made by the Supreme Court.

PROJECTS

Marampa (100% interest)

Marampa is a hematite iron ore project at development and permitting stage, and is located 90km northeast of Freetown, Sierra Leone, West Africa ("Marampa" or "Marampa Project") (refer Figure 2). Marampa comprises two granted exploration licences (EL46A/2011 – 239.18km² and EL46B/2011 – 66.00km² (formerly E46/2011 – 305.18km²)) held by Marampa Iron Ore (SL) Limited, which is indirectly, a wholly owned subsidiary of Cape Lambert.

Marampa has a total JORC Mineral Resource of 680 million tonnes ("Mt") at 28.2% Fe (above a cut-off grade of 15% Fe) covering four deposits (Gafal, Matukia, Mafuri and Rotret) (refer ASX Announcement 7 July 2011).

An Infrastructure Agreement with African Minerals Limited ("AML") (and their subsidiaries) provides Marampa with access rights to export 2Mtpa (wet - equivalent to 1.8Mtpa dry) of concentrate via the recently refurbished and currently operational Pepel rail and port infrastructure (refer ASX Announcement 16 April 2012). The Infrastructure Agreement also provides Marampa with the opportunity to export a further 16.5Mtpa (wet - equivalent to 15.2Mtpa dry) of concentrate through the proposed Tagrin deep water port when it becomes operational, with transport to Tagrin via Marampa's own concentrate pipeline. Additionally, AML have an option to purchase 2Mtpa (wet) of Marampa concentrate at mine gate for the first 3 years of production.

Exploration

Exploration activities during the quarter were limited to detailed mapping and planning for future resource definition. In particular, mapping continued in the area north of Gafal West where SRK (Australasia) Pty Ltd ("SRK") have postulated potential for additional mineralisation in their Q1 2012 structural review. To date, a number of specular hematite (SQS) float rocks have been identified over a 300m by 100m area due north of the known mineralised outcrop seen at Gafal West. This provides strong support for the existence of repeated mineralised structure and potential to expand the existing resource. A definition drilling program has been designed, to be undertaken during the feasibility study stage of the project.

Mapping and line clearing was undertaken in the far north-east corner of the Marampa licence in geological terrain with rocks identified as muscovite sericite schist known to be a host unit for SQS material. Initial mapping has discovered minor SQS float rocks and plans are being made for follow up exploration.

Licence

At the request of the Ministry of Mineral Resources (“MoMR”), Marampa submitted a formal request to the MoMR to split EL46/2011 in to two separate licences, so that each area would meet the 250km² surface area limit prescribed in the Mining Act, 2009. The split proposed was approved by the MoMR, with new licences being issued as EL46A/2011 (239.18km²) and EL46B/2011 (66.00km²) (Refer Figure 4).

Resource Estimate

Due to the MoMR amending slightly the beacon locations used for the positioning of the renewed London Mining mining licence (ML02/09), which was then later incorporated in to Marampa’s licence (EL46/2011), a review was undertaken by Golder Associates (“Golder”) to determine what impact this may have had on Marampa’s Mineral Resource Estimate (refer ASX announcement 7 July 2011). Golder’s review showed that there was only a minor loss of some mineral resource in the Gafal South and West deposits and a gain in the Matukia deposit, with a nil net difference in overall resource tonnage.

Metallurgy

Metallurgical testwork continued during the quarter, primarily focusing on the Wet High Intensity Magnetic Separation (“WHIMS”) unit operation. The WHIMS testwork aimed to demonstrate the production of a high grade iron (>65% Fe) concentrate at acceptable mass yield and iron recovery using different configurations and equipment to that used in the 15 Mtpa Scoping Study.

Preliminary results of limited locked cycle testing using the Gafal South oxide and fresh ore samples are very encouraging with better or near target iron grade in the concentrate achieved after a single WHIMS cleaning stage compared to a two stage circuit used in previous testwork. Table 1 summarises the results of the concentrate grade after the single cleaning stage.

Table 1 Results from Locked Cycle Tests

Sample	Head Grade (%Fe)	Concentrate Grade (%)					Cleaner Mass Yield (%)	Total Fe Recovery (%)
		Fe	SiO ₂	Al ₂ O ₃	P	S		
Gafal South Oxide	28.4	64.5	4.4	1.4	0.04	0.003	31.8	80.7
Gafal South Fresh (I)	26.7	65.8	2.7	1.0	0.01	0.003	30.4	84.3
Gafal South Fresh (II)	27.4	65.7	1.6	0.6	0.01	0.002	32.9	84.2

Testwork is progressing through vendors in Western Australia and Queensland with the aim of optimising the WHIMS equipment selection and number of units required. A larger WHIMS machine in Queensland has been commissioned to confirm the earlier smaller scale testwork results.

It is anticipated that the results of the current testwork will confirm a simplified process flowsheet compared to that developed in previous studies.

Technical Studies

A 15Mtpa Scoping Study, which evaluates an increase in concentrate production from the previously evaluated 10Mtpa Scoping Study, was completed by independent, engineering group Bateman Engineering Pty Ltd (“Bateman”) (refer ASX Announcement 5 October 2012).

The 15Mtpa Scoping Study was based on a staged development, with Stage 1 mining and processing the softer oxide ores at a planned rate of 2.5Mtpa of concentrate production. The Stage 2 expansion increased concentrate production to 15Mtpa within 18 months of commissioning Stage 1, resulting in a 15 year mine life based on the current mineral resource inventory. The Stage 1 development was

based on Marampa utilising AML's Pepel Rail and Port ("Pepel Infrastructure") to export 1.8Mtpa of concentrate, whilst the Stage 2 development assumed that concentrate would be pumped to and exported from, the deep water port of Tagrin that was to be built by AML.

The Stage 1 capital investment was estimated at US\$435M whilst the Stage 2 expansion was estimated at US\$1,927M. The Stage 1 operating costs were estimated at US\$45 per tonne of concentrate, free on board ("FOB"), with an average life of mine operating cost of US\$46 per tonne FOB.

The 15Mtpa Scoping Study base case (at \$US100/t FOB concentrate sale price) returned robust financial metrics including an ungeared (100% equity) after tax NPV_{10%} of US\$1.56 billion, an internal rate of return of 26.2% and after tax cash flows of US\$5.99 billion (refer ASX Announcement 5 October 2012).

In December 2012, AML announced that it would no longer be building a port at Tagrin, but rather expanding its existing Pepel Infrastructure. Due to this change, the Company has commenced an update of the 15Mtpa Scoping Study ("15Mtpa Scoping Study Update"), to incorporate the use of a transshipping port that was investigated in its previous 10Mtpa Scoping Study. The update will be managed by Bateman, with various other consultants updating their contributing studies as required.

The 15Mtpa Scoping Study Update will be based on the same staged development as the initial 15Mtpa Scoping Study, other than for Stage 2 the concentrate will be pumped to a Marampa owned transshipping port near the coast. It will also incorporate the improved metallurgical performance of the WHIMS equipment, which is likely to provide a significant reduction in capital and operating cost estimates. It is expected the 15Mtpa Scoping Study Update will be completed in Q2 2013.

Environmental and Social Impact Assessment

Additional environmental baseline surveys were completed during the quarter, which included:

- River hydrology studies; and
- A post wet season rural livelihoods survey.

The project's Environmental and Social Impact Assessment (ESIA) study was completed during the quarter and lodged with the relevant Sierra Leone authorities on 18 October 2012. Public consultation meetings for the ESIA permitting process were also completed during the quarter. It is expected that the project's environmental licence will be issued during Q1 2013.

Pinnacle (100% interest)

The key Pinnacle assets are the Kukuna Iron Ore Project located in Sierra Leone ("Kukuna Project" or "Kukuna") and the Sandenia Iron Ore Project located in the Republic of Guinea ("Sandenia Project" or "Sandenia") (refer Figure 2).

Kukuna Project – Sierra Leone

The Kukuna Project is located 120km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence covering 68km² (refer Figure 2). The license is located 70km due north of the Marampa Project and the Pepel Infrastructure and comprises rocks that correlate with the Marampa Group stratigraphy known to host specular hematite mineralisation.

Exploration

Following on from a project review conducted last quarter, a re-interpretation of all available data commenced in order to obtain a better understanding of the deposit geology and economic potential.

The existence of a pervasive supergene enriched mineralised zone is evident between 10m and 14m thick in between the surficial duricrust and the un-weathered mineralisation at depth. The enrichment continues across lithological boundaries and is suspected to be confined within pseudo palaeo channels.

Re-logging of all drill core from the project area is underway and expected to be complete in Q1 2013. Once complete, a project wide re-interpretation will be undertaken followed by systematic exploration planning to definitively identify the in-ground asset.

Sandenia Project – Guinea

The Sandenia Project is located 290km east northeast of Conakry in the central south of the Republic of Guinea and comprises two exploration permits covering 608km² (refer Figure 2). The Sandenia permits contain Banded Iron Formation (BIF) prospective for iron mineralisation, similar to those hosting the 6.16Bt Kalia deposit owned by Bellzone Mining plc located on the contiguous permit to the north.

Exploration

Work continued with outcrop mapping over the Sandenia project, which will continue into Q1 2013.

Trenching

A total of 662 metres of excavation from 4 trenches was completed during the quarter. Three of the four trenches intersected BIF in a number of intersections and a complete list of results is included in Table 2. Significant intercepts received during the quarter are:

- SATR007A1: 26m at 32.5% Fe; and
- SATR007B: 20m at 32.5% Fe and 44m at 39.05% Fe.

Metal Exploration Limited (100% interest)

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds 17 granted exploration licences in Sierra Leone covering approximately 2,386km². This land package covers the region 70km to the north and south of Marampa and is referred to as the Rokel Iron Ore Project (“Rokel” or “Rokel Project”). Rocks from the Marampa Group (“Rokolon Formation”) exist throughout the licences, much the same as the Marampa Project and are known to host specularite schist bearing units.

The Rokel Project is prospective for discovery of hematite schist deposits geologically similar to those at Marampa and is located proximal to the existing Pepel Infrastructure (refer Figure 2). Regional mapping and geophysics has identified a number of prospective areas which are progressively being followed up with targeted exploration.

Exploration

Kumrabai Prospect

The Kumrabai Prospect (EL20/2011) is located due east of Marampa within the Rokolon Formation. Trenching has been conducted over an identified magnetic anomaly and has intersected SQS over a >7km strike length.

A drilling proposal for 38 holes (4935m) of scout Reverse Circulation (RC) drilling with 400m spacing between lines has been prepared. The Company anticipates this program will be drilled later in 2013.

Karina Prospect

The Karina Prospect (EL17/2011) is approximately 2 km north east of Lunsar, where SQS float was identified from regional mapping undertaken in February 2012 by SRK. Karina is a sub-parallel



prospect to the north east of the Kumrabai Prospect on the eastern edge of the Rokotolon Formation within a historically mapped specularite schist unit.

Minor follow up line clearing and mapping took place early in the quarter to extend some of the existing lines. Additional SQS float rocks were discovered during line clearing. A final exploration report is being prepared and no further investigation is planned at this stage.

Bumbe Prospect

The Bumbe Prospect (EL17/2011) is approximately 1.5km north of Lunsar, and was identified during the regional mapping undertaken by SRK in February 2012. SQS mineralisation was observed in an old pit excavated by DELCO and from limited outcrops. The majority of the mapped area is within low lying alluvial plains, with limited or no outcrop. Surface indications are restricted to float and clasts of SQS in laterite and structural measurements taken in the prospect suggest an overall strike of 130°.

Exploration during the quarter was limited to additional mapping to try to ascertain the structural continuity of identified SQS mineralisation. Reconnaissance mapping was also extended to the north and northwest to investigate previously identified magnetic anomalies.

Assays for 4 samples from two pits excavated last quarter in the Bumbe Prospect were received and are listed in Table 3. Only one sample returned a result >30% Fe.

Lankono Prospect

The Lankono Prospect (EL15/2011) lies directly west of the Marampa Licences (EL46A/2011 and EL46B/2011) as an along strike extension to the Mafuri deposit (held by MIOSL).

A total of 7 lines for 12.85km were cleared and mapped during the quarter. Significant outcrop and float of SQS mineralisation has been identified in two discrete clusters which will be followed up for specific target definition.

A plan depicting the four prospects is shown in Figure 4.

Australis Exploration Limited (100% interest) (“Australis”)

Australis holds a portfolio of mineral rights, tenements and subsidiaries which presently comprise:

- Eight granted Exploration Licences totalling approximately 3,050km² in the east of the Northern Territory, considered prospective for rock phosphate;
- Six granted Exploration Permit Minerals (“EPM”) in North Queensland over 3,880km², prospective for rock phosphate mineralisation; and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted EPM’s (“Mojo Project” or “Mojo”) totalling approximately 1,435km², centred on the township of Boulia, Queensland and prospective for large Mt Isa style base metal mineralisation beneath cover sediment.

Exploration

Activities during the quarter included:

- follow up work on results from the previous quarter leading to a refinement of prospective areas with potential to host economic phosphate deposits in the Northern Territory licences.
- completion of drilling on one of the Mojo tenements (EPM15694).

Phosphate

Regional geochemical soil sampling conducted in the third quarter identified anomalous phosphate in soils within tenement EL 26310. Subsequent follow-up soil sampling across a 2km x 2km grid with samples at 400m intervals defined a 2 km long by 1 km wide, + 1000ppm phosphate soil anomaly

along the interpreted margins of the Georgina Basin. The identified anomaly was open to the south west (incorrectly reported as south-east in the previous quarterly report).

Soil sampling during the 4th quarter was aimed at extending the previously defined anomaly as well as testing a small nearby radiometric anomaly, often found to be indicative of phosphate mineralisation.

A shallow hand auger program was also undertaken along strike of the anomaly to test for increasing phosphate levels with depth below surface. The soil sampling has extended the anomaly further towards the south west in a 'v' shape with a total length of 8.8km by 1km wide, + 400ppm phosphate soil anomaly (Refer Figure 5) along the postulated margins of the Georgina Basin associated with rocks of the prospective Wonorah Formation.

The hand auger samples demonstrated an increase over the anomalous surface samples by an average of 35% with values averaging 700ppm down to a depth of 30cm. In comparison to other known phosphate deposits in the region, a very similar grade profile can be seen which lends support to the potential for an economic deposit at depth.

The Company considers these results as very encouraging and a small Percussion Rotary Air Blast (RAB) drilling program will be planned and undertaken in the second half of 2013 pending drilling approval.

Surrender applications for 9 of the 15 Australis tenements held in Queensland have been submitted. These tenements were the subject of a tenement rationalisation review conducted during the September quarter.

Base Metals

A ground gravity survey conducted late in 2011 identified theoretical locations where proterozoic basement rocks were <500m below surface. Two stratigraphic drill holes were designed to test these locations on EPM15694 where there were coincident magnetic anomalies with interpreted major structural features (Refer Figure 6).

The stratigraphic drilling program initiated in the previous quarter was completed in late October for a total of 900.4m from two holes of combined RC pre-collar and diamond tail. Both of the holes were collared to 250m without intersecting basement in either hole. The first diamond tail was drilled to a total depth of 650.4m with the targeted basement intersected at 612m. This was approximately twice the depth indicated by the geophysical modelling. Due to uncertainty of targeted depth, the second hole was capped and remains available for diamond drilling if necessary at a later date.

Basement rocks of the Mt Isa inlier were intersected at a depth of 612m, (282m below the modelled depth) beneath Cambrian limestones. The predominant basement lithology is a meta-basalt which exhibits, chlorite–hematite–albite+–pyrite alteration. The basement rocks are strongly magnetic with pervasive, weakly mineralised magnetite alteration and fine disseminated pyrite or pyrite occurring as discrete clusters.

A total of 92 samples were taken although only samples from the basement lithology were assayed. Three zones of elevated copper mineralisation were discovered with one returning a result of 0.21% Cu over a 90cm intersection within a strongly altered meta-basalt characterised by albite-quartz and hematite alteration with sulphides. This result was significant in the context of a greenfields discovery.

This drilling indicates that rocks of the Mt Isa inlier extend as far south as the Mojo tenements and that the alteration characteristics of the Mt Isa Inlier as well as mineralisation, also occur at Mojo.

Some additional samples were taken from the intersected basement rocks for petrological and petrophysical testwork which is currently underway. Once these results are received, a comprehensive report on work completed including recommendations for future work will be produced.

Leichhardt Copper Project (100% interest) (“Leichhardt”)

Leichhardt, which is currently on care and maintenance, is located approximately 100km northeast of Mt Isa in the highly prospective Eastern Succession of the Mt Isa Inlier and is presently under a due diligence process for its sale.

Exploration

During the quarter a limited drilling campaign was completed at the Leichhardt copper prospect. The program was designed to test two, off-hole anomalies identified at the Prospector prospect by a down-hole EM survey of holes drilled by Matrix Metals Ltd (the previous owners of the Project) in 2008, and to test a series of +300ppm soil copper anomalies which strike north-south and are located within 12 to 16km of the existing Mt Cuthbert treatment plant.

The drilling comprised a total of 1,442m of RC drilling with the bulk of the drilling undertaken on EPM10025.

Two holes (P2RC016 and P2RC017) were drilled at the Prospector 2 prospect for 458m with an additional 24 holes for 984m drilled at four prospects located between 10km to 16 km north of Mt Cuthbert.

The holes drilled to test the soil anomalies north of Mt Cuthbert were shallow and were designed to test the +300ppm Cu in soil anomalies identified in previous years. A total of 24 holes were drilled over a strike length of approximately 7km.

Results

Assay results and visual observations of the drill chips from the Prospector 2 hole indicated that the off-hole EM anomalies were intersected, with zones of between 10% to 15% sulphides predominantly in the form of Pyrrhotite. The best result was in hole P2RC017 which intersected 4m @ 0.74% Cu from 209m, anomalous Ni sulphides to 0.32% Ni and elevated cobalt to 247ppm over the same interval.

A complete list of assay results is included in Table 4 and a location map indicating the areas drilled is included as Figure 7. Results from the drilling of the copper soil anomalies north of Mt Cuthbert are encouraging with the following significant intersections:

- MSRC002: 4m at 2.21% Cu from 20m;
- MSRC003: 7m at 0.94% Cu from 22m;
- MSRC003: 3m at 1.22% Cu from 32m;
- MSRC006: 3m at 1.17 % Cu from 10m;
- AW4RC004: 4m at 1.39% Cu from 20m; and
- WCRC005: 4m at 2.52% Cu from 18m.

In addition, significant cobalt mineralisation was intersected in one hole (MSRC010) with a 5m interval assaying at 0.21% Co. Anomalous copper, zinc and lead was also intersected with assays to 0.53% Cu, 0.22% Pb and 0.24% Zn from 21m encountered.

Competent Person:

The contents of this Report relating to Exploration Results are based on information compiled by Dennis Kruger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Kruger is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration

Results, Mineral Resources and Ore Reserves". Mr Kruger consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

Competent Person:

The contents of this Report relating to Mineral Resources and Ore Reserves are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Frederickson consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

Competent Person:

The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr Mike Wardell-Johnson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wardell-Johnson is a consultant to Cape Lambert and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves". Mr Wardell-Johnson consents to the inclusion in this report of the information in the form and context in which it appears.

Figure 1: Group Structure December 2012



Figure 2: Cape Lambert West African Iron Ore Interests

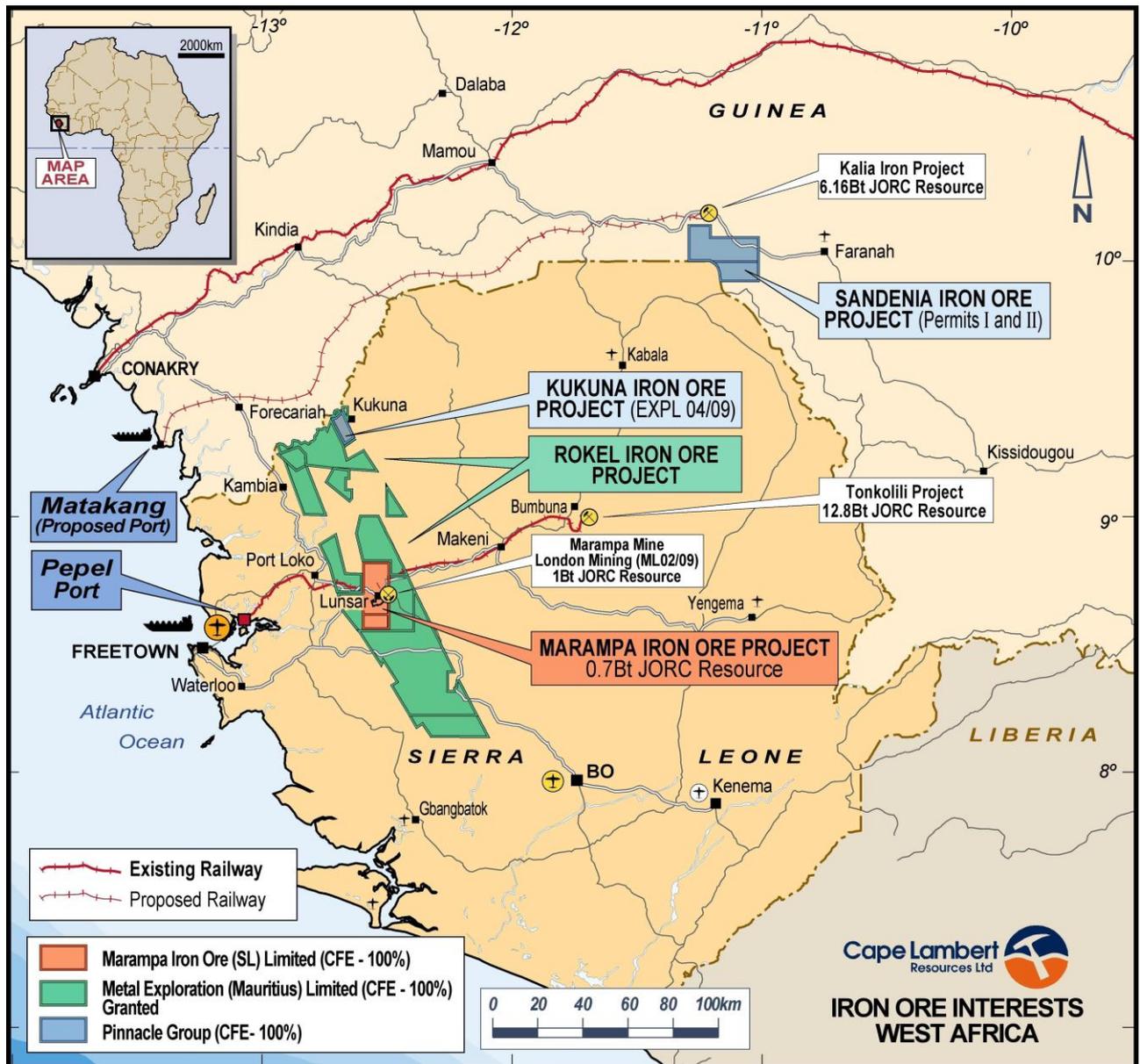


Figure 3: Marampa Split Licence Boundaries

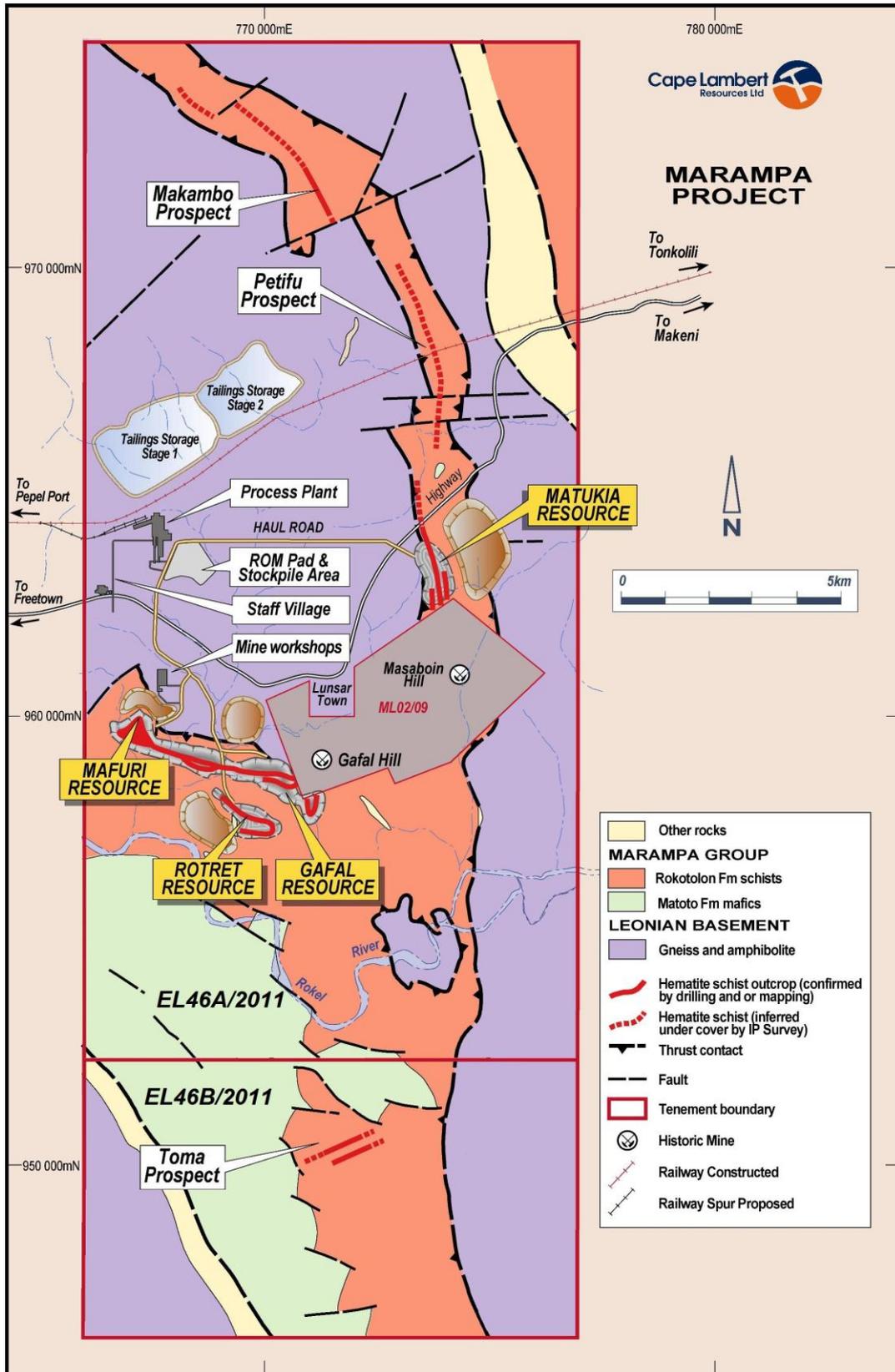


Figure 4: Rokel Project - Location of Current Prospects

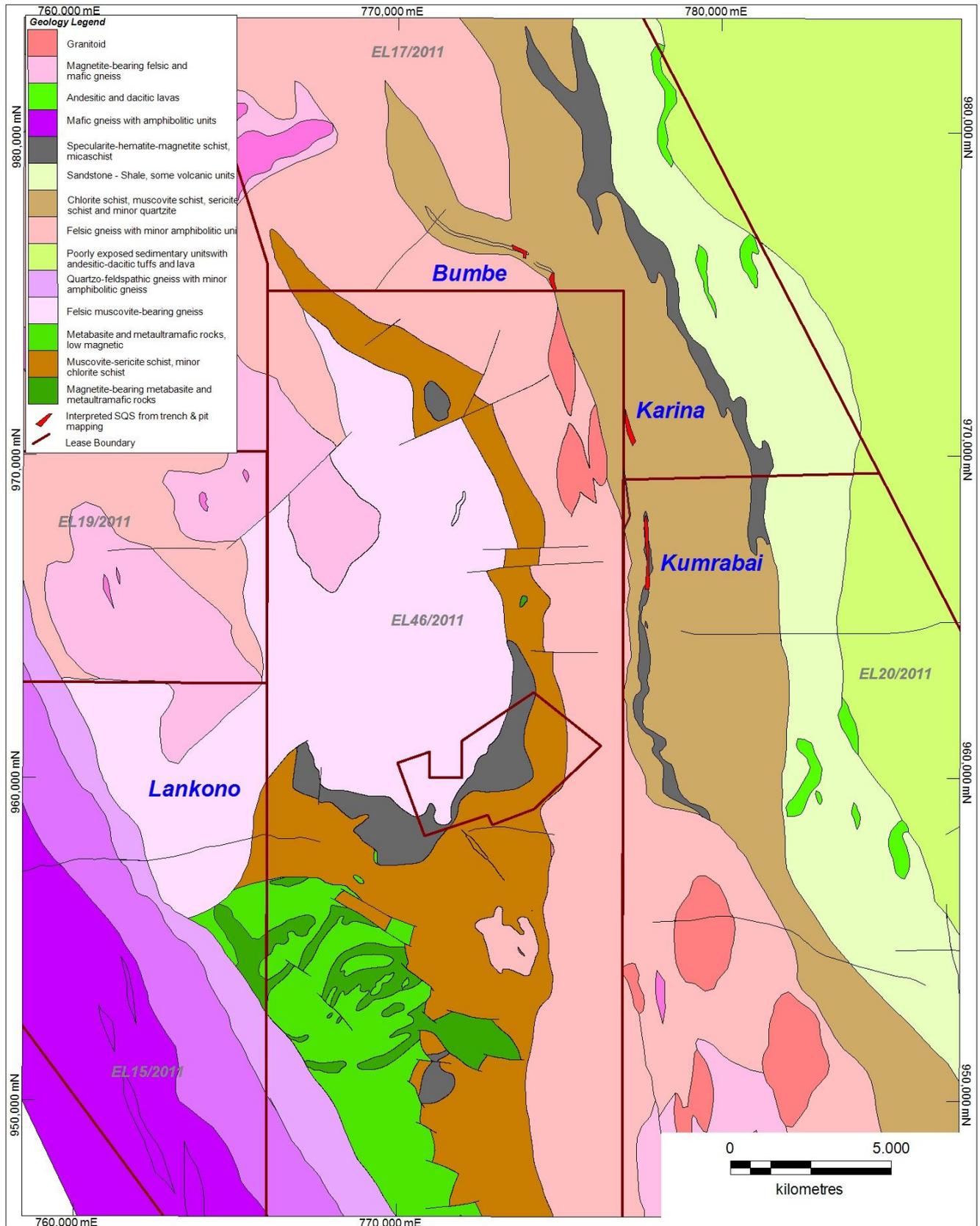


Figure 5: Australis NT Phosphate Soil Anomaly.

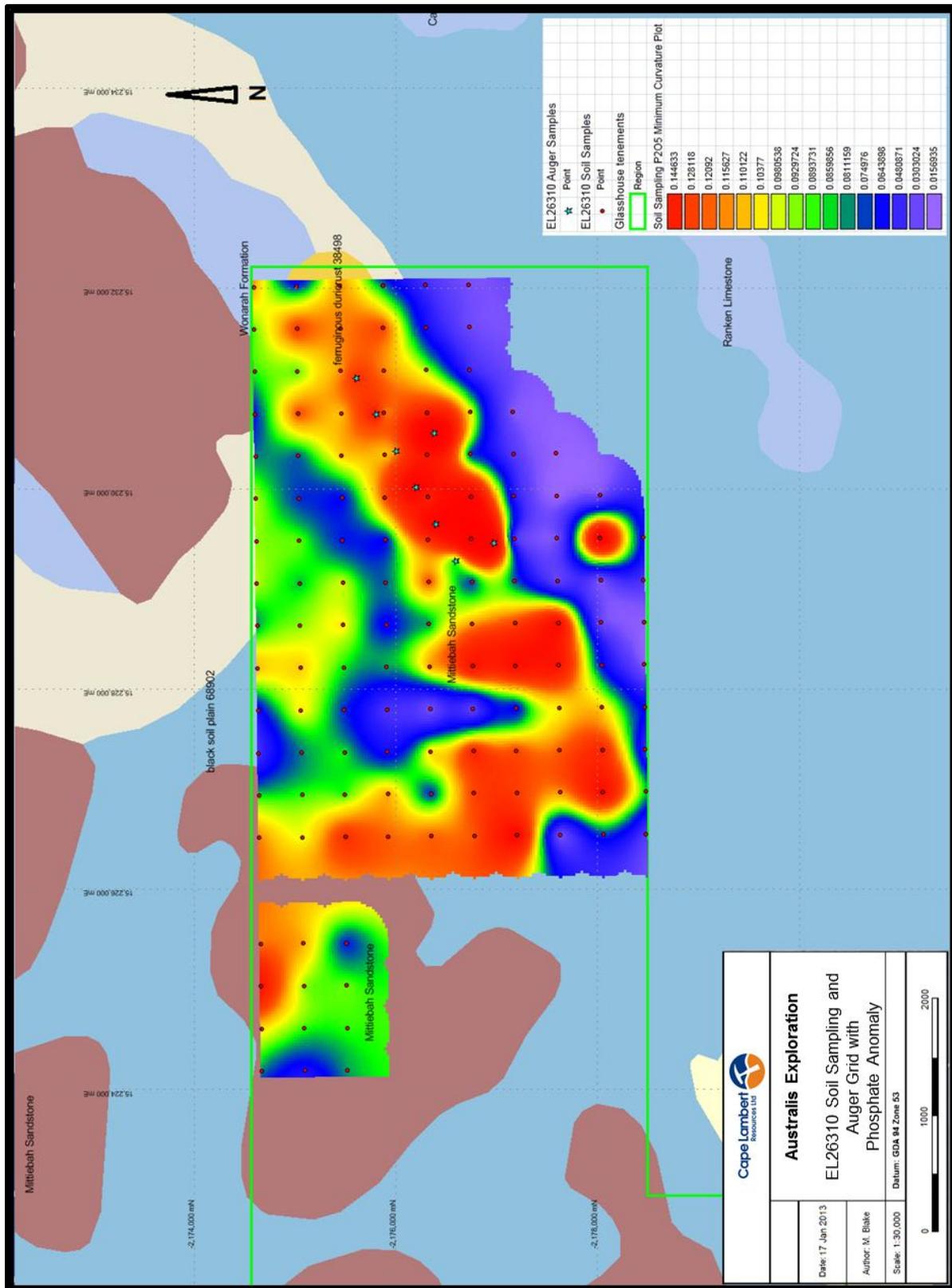


Figure 6: Mojo Drillhole Location Map

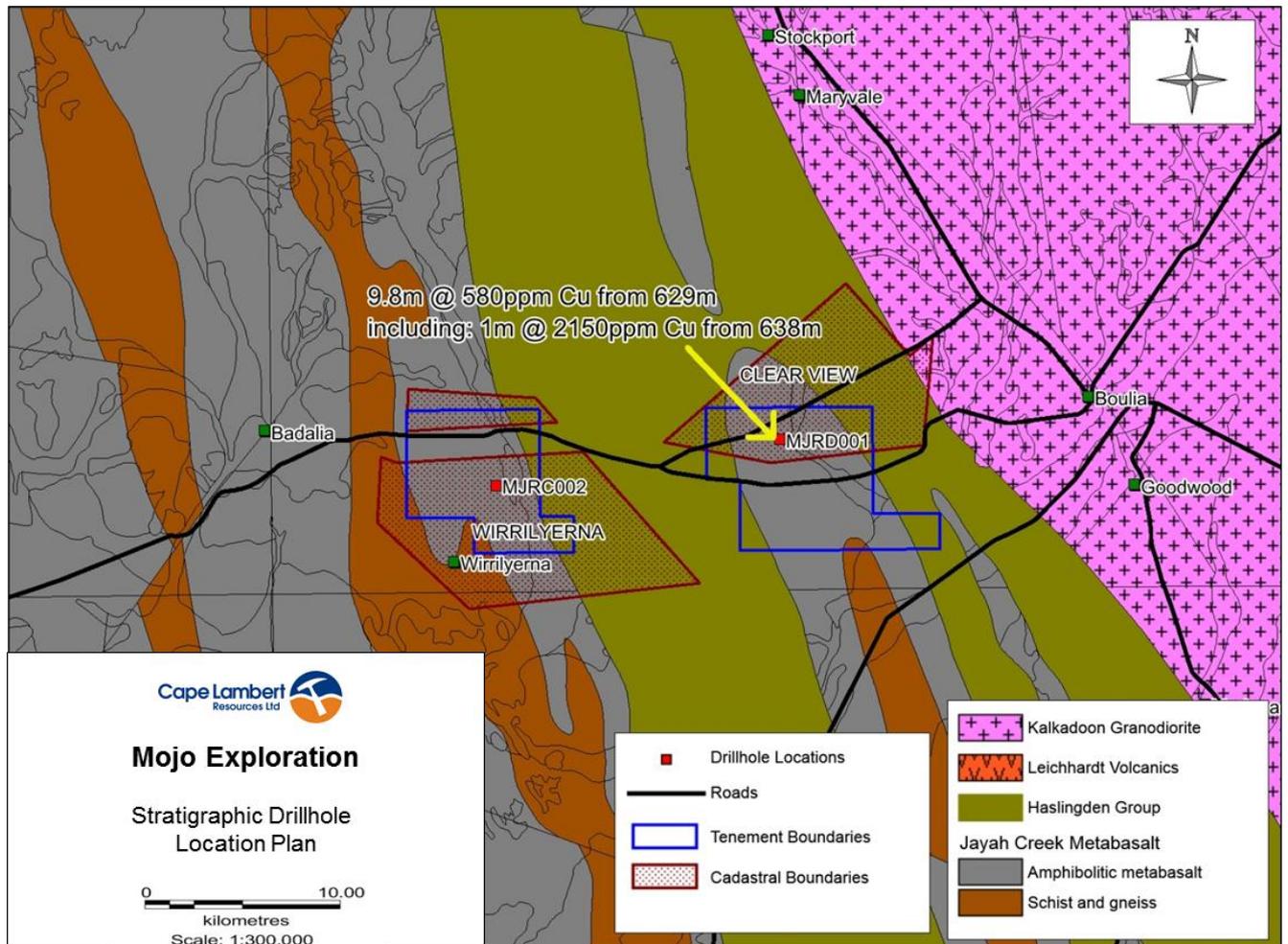


Figure 7: Leichhardt Drillhole Locations

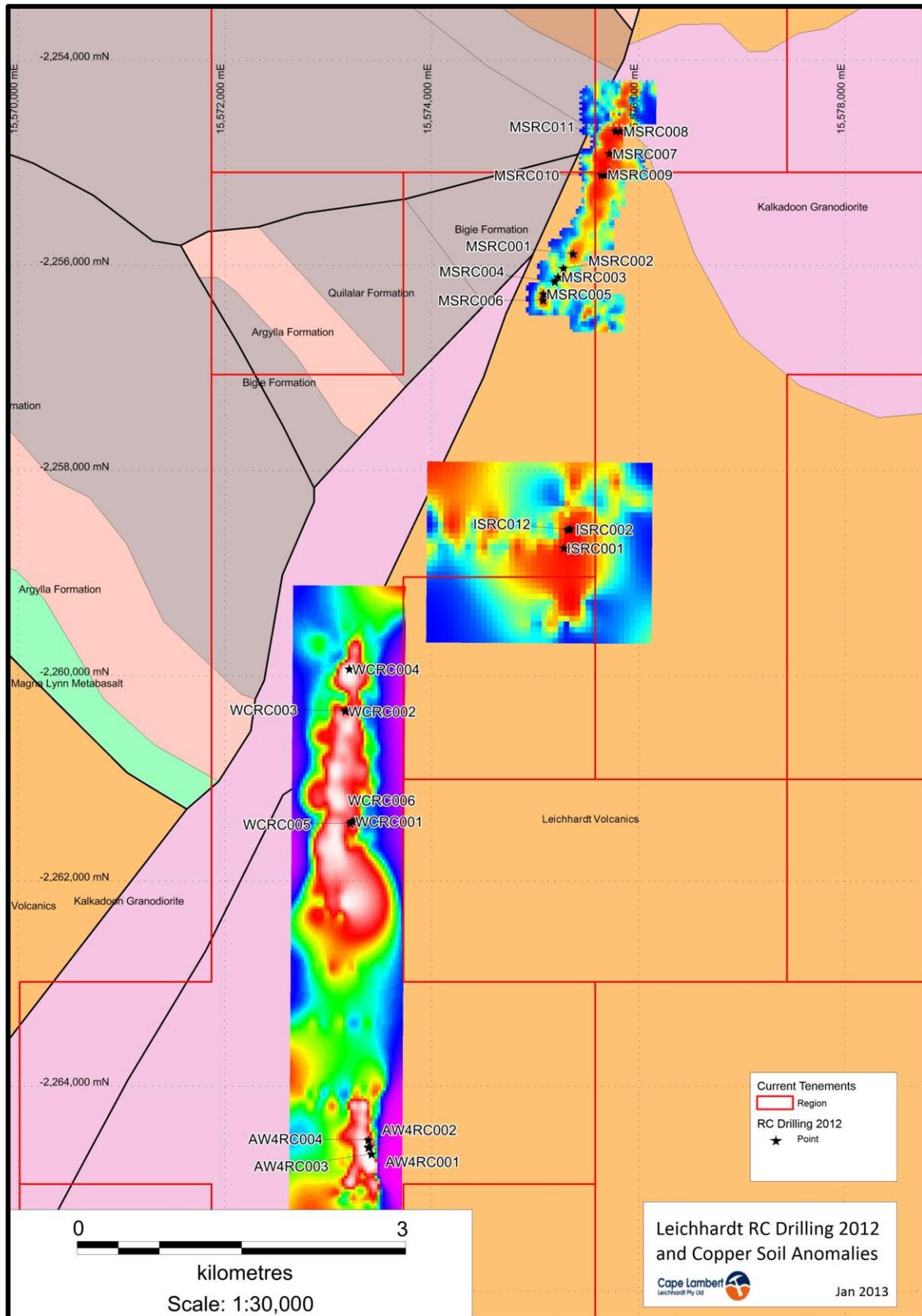


Table 2: Sandenia Trench Assay Results

Hole ID	Hole Details						Intersection			Head Assay						Ore Type
	Easting	Northing	RL	Dip	Azi	EOH	From	To	Length	Fe	Al ₂ O ₃	SiO ₂	P	S	LOI	
	UTM WGS84 Zone 29N			Degrees		m	m	m	m	%	%	%	%	%	%	
SATR007A1	261800	1113350	543	0	90	62	0	62	62	28.3	19.75	24.03	0.04	0.01	10.9	Oxide
SATR007/A2	261800	1113462	521	0	90	202	0	32	32	27.1	14.63	38.14	0.04	0.005	7.38	Oxide
							40	80	40	27.7	16.5	33.3	0.05	0.01	9.25	Oxide
							102	126	24	20.8	20.43	38.58	0.06	0.005	9.83	Oxide
							186	202	16	27.9	19.64	28.46	0.03	0.01	10.8	Oxide
SATR007B	261865	1113037	602	0	90	222	0	186	186	25.3	17.6	23.91	0.06	0.01	9.97	Oxide
							206	222	16	18.8	19.19	40.17	0.04	0.005	9.17	Oxide
SATR008	261535	1112565	560	0	90	108	10	88	78	25.9	16.99	36.82	0.03	0.01	8.23	Oxide
SATR009A	260692	1112192	517	0	90	124	10	30	20	24.1	20.25	30.25	0.06	0.005	11.8	Oxide
							52	114	62	25.4	17.19	34.63	0.04	0.005	8.86	Oxide
SATR009B	260600	1112023	578	0	90	160	42	54	12	22.4	23.16	32.1	0.05	0.01	11.3	Oxide
							152	160	8	22.8	17.42	39.5	0.04	0.005	8.51	Oxide
SATR010A	262197	1113069	594	0	90	110	No significant assays									
SATR010B	262175	1113175	606	0	90	36	No significant assays									

Parameters for Intercepts calculations

Lower cut-off 15% Fe, minimum intersection 8m, maximum 5m of internal waste.

Sample intervals are 2m composites.

Chemical analysis by X-ray Fluorescence (XRF) by Ultra Trace Limited at Canning Vale laboratory, Perth Western Australia.

Table 3: Rokel Project – Bumbe Prospect Pit Assay Results

Hole ID	Hole Details						Intersection			Head Assay						Ore Type
	Easting	Northing	RL	Dip	Azi	E.O.H.	From	To	Length	Fe	Al ₂ O ₃	SiO ₂	P	S	LOI	
	<i>UTM WGS84 Zone 28N</i>			<i>Degrees</i>		<i>m</i>	<i>m</i>	<i>m</i>	<i>m</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	
KAPT006	774723	975501	102	-90	0	3	0	2	2	29.22	11.76	38.03	0.04	0.03	6.69	Oxide
							2	3	1	25.3	14.81	39.14	0.03	0.02	6.06	
KAPT007	774788	975506	97	-90	0	3	0	2	2	30.66	9.31	39.61	0.03	0.02	4.87	Oxide
							2	3	1	18.33	12.37	53.01	0.02	0.01	4.35	

Table 4: Leichhardt Assay Results

Hole Details								Intersection			
Prospect	Hole ID	Easting	Northing	RL	Dip	Azi	E.O.H.	From	To	Length	Cu
		MGA94 Zone 54S			Degrees		m	m	m	m	%
Isabella	ISCR001	386422	7801495	170	-60	270	40	No significant assays			
Isabella	ISRC002	386477	7801668	170	-60	270	40	No significant assays			
Isabella	ISRC012	386457	7801664	170	-60	90	40	10	14	4	0.42
Mt Stanley	MSRC001	386490	7804177	170	-60	270	40	11	12	1	0.68
								21	22	1	0.32
								33	34	1	0.78
Mt Stanley	MSRC002	386400	7804044	170	-60	90	40	20	24	4	2.21
Mt Stanley	MSRC003	386354	7803967	170	-60	90	40	22	29	7	0.94
Mt Stanley	MSRC004	386325	7803924	170	-60	90	40	32	35	3	1.22
Mt Stanley	MSRC005	386220	7803810	170	-60	270	40	No significant assays			
Mt Stanley	MSRC006	386222	7803753	170	-60	270	40	10	13	3	1.17
Mt Stanley	MSRC007	386813	7805094	170	-60	270	40	No significant assays			
Mt Stanley	MSRC008	386910	7805300	170	-60	270	40	No significant assays			
Mt Stanley	MSRC009	386767	7804903	170	-60	270	40	No significant assays			
Mt Stanley	MSRC010	386744	7804899	170	-60	270	40	21	27	6	0.53
Mt Stanley	MSRC011	386870	7805300	170	-60	270	40	27	32	5	0.43
Prospector	P2RC016	390156	7749753	170	-60	270	226	64	65	1	1.15
Prospector	P2RC017	390150	7749630	170	-60	270	232	9	10	1	0.33
								209	213	4	0.74
AW4	AW4RC001	384680	7796020	170	-60	270	34	17	18	1	0.44
								27	28	1	0.44
								31	33	2	0.59
AW4	AW4RC002	384690	7796025	170	-60	270	70	20	24	4	1.39
								27	34	7	0.28
								40	41	1	0.35
AW4	AW4RC003	384711	7795959	170	-60	270	40	14	16	2	0.55
								25	32	7	0.42
AW4	AW4RC004	384680	7796090	170	-60	270	40	No significant assays			
Warwick Castle	WCRC001	384515	7798992	170	-60	90	40	No significant assays			

Hole Details								Intersection			
Prospect	Hole ID	Easting	Northing	RL	Dip	Azi	E.O.H.	From	To	Length	Cu
		<i>MGA94 Zone 54S</i>			<i>Degrees</i>		<i>m</i>	<i>m</i>	<i>m</i>	<i>m</i>	<i>%</i>
Warwick Castle	WCRC002	384443	7799995	170	-60	90	40	No significant assays			
Warwick Castle	WCRC003	384446	7800000	170	-60	270	40	34	35	1	0.32
Warwick Castle	WCRC004	384477	7800380	170	-60	270	40	1	7	6	0.59
								18	30	12	0.42
Warwick Castle	WCRC005	384497	7798976	170	-60	270	40	3	4	1	0.32
								18	22	4	2.52
								27	28	1	0.89
								32	33	1	0.31
Warwick Castle	WCRC006	384541	7799007	170	-60	270	40	No significant assays			

Parameters for Intercepts calculations

Lower cut-off 0.2% Cu, minimum intersection 1m, maximum 1m of internal waste.

Sample intervals are 1m.

Chemical analysis by ICP-AES (Inductively coupled plasma atomic emission spectroscopy)

Appendix 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 December 2012

Consolidated statement of cash flows

	Current quarter	Year to date (6 months)
	\$A'000	\$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation	(5,295)	(12,301)
(b) development	-	-
(c) production	-	-
(d) administration	(1,645)	(3,298)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	949	1,666
1.5 Interest and other costs of finance paid	(25)	(67)
1.6 Income taxes paid	(16,281)	(16,281)
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(22,297)	(30,281)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(25)	(685)
(c) other fixed assets	(220)	(710)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
(d) controlled entities	-	660
1.10 Loans to other entities	(575)	(1,111)
1.11 Loans repaid by other entities	-	-
1.12 Other: Cash backing security for performance / other bonds & bank guarantees released	-	115
Other: Cash backing security for performance / other bonds & bank guarantees provided	(1,200)	(3,304)
Other: Payment of transaction related and business development costs	(873)	(1,660)
Other: Payment for convertible notes	-	(1,000)
Other: Payment for exercise of call options	(859)	(859)
Net investing cash flows	(3,752)	(8,554)
1.13 Total operating and investing cash flows (carried forward)	(26,049)	(38,835)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(26,049)	(38,835)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(26,049)	(38,835)
1.20	Cash at beginning of quarter/year to date	75,626	88,412
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	49,577	49,577

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	227
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$227,000 payment of executive and non-executive director fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	5,767
4.2 Development	-
4.3 Production	-
4.4 Administration	1,591
Total	7,358

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	9,240	3,256
5.2 Deposits at call	40,337	72,370
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	49,577	75,626

+ See chapter 19 for defined terms.

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	N/A		
6.2	Interests in mining tenements acquired or increased	N/A		

+ See chapter 19 for defined terms.

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	689,108,792	689,108,792		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	11,710,000	11,710,000	<i>Exercise price</i> \$0.29	<i>Expiry date</i> 22 Nov 2013
7.8 Issued during quarter	11,710,000	11,710,000	<i>Exercise price</i> \$0.29	<i>Expiry date</i> 22 Nov 2013
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	7,800,000	7,800,000	<i>Exercise price</i> \$0.45	<i>Expiry date</i> 30 Nov 2012
7.11 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

7.12	Unsecured notes (totals only)		
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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: Claire Tolcon.....Date: 31 January 2013
Company secretary

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.