

29 October 2010

The Company Announcements Office  
ASX Limited

Via E Lodgement

**Quarterly Operations Report and Appendix 5B for Period Ending 30 September 2010**

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  
625,759,256

**Board of Directors**

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

Eloise von Puttkammer  
Company Secretary

**Key Projects and Interests**

Marampa Iron Ore Project  
Pinnacle Group Assets  
Sappes Gold Project  
Mayoko Iron Ore Project  
Corvette Resources Limited

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## HIGHLIGHTS

### **Corporate**

- At 30 September 2010, the Company had approximately \$46 million in cash at bank.
- Payment of a special dividend to Shareholders of \$44 million (\$0.07 per share).
- Off market takeover of DMC Mining Limited completed.
- On market buy back implemented for up to 10% of the Company's fully paid ordinary shares.
- Reduced shareholding in NiPlats Australia Limited from 39% to 8% at 30 September 2010, realising \$9.6 million.
- Latin Resources Limited admitted to official quotation on ASX and repaid its \$2.2 million convertible note to the Company.
- Strategic alliance formed with Chameleon Mining NL, which exposes Shareholders to a positive outcome from a Federal Court decision in relation to Murchison Metals Ltd and the producing Jack Hills iron ore asset.
- Completed acquisition of the Leichhardt Copper Project, which is located in the world class Mt Isa base metals province of North West Queensland. Leichhardt has installed copper cathode production infrastructure rated at 9,000 tonne per annum and total contained oxide and transition copper resources of 77,000 tonnes of Cu metal.

### **Projects**

#### ***Marampa***

- Independent mining consultant, Golder Associates engaged to prepare a maiden JORC resource estimate. The maiden JORC resource estimate is expected to be finalised in the first week of November 2010, and represents only two of the eight known prospects, being approximately 25% of known strike.
- Sierra Leone landholding increased by 300% to 1,222 km<sup>2</sup> with the granting of three new licences on prospective zones along strike of Marampa.
- Additional drill targets defined at Marampa bringing total prospects to eight with drilling in progress at three (Gafal West, Matukia and Petifu). Five drill rigs currently working at Marampa.
- Initial metallurgical test results from run-of-mine, composite samples from the Matukia and Gafal West prospects show a hematite concentrate grading 63-65% Fe, 3.7-4.3% SiO<sub>2</sub>, 0.9-1.2% Al<sub>2</sub>O<sub>3</sub>, nil S and 0.02% P can be produced, with mass and iron yields of 30-33% and 80-83% respectively.

#### ***Mayoko***

- Phase one drilling program of 18 diamond holes for 3,687 m completed at Mayoko.
- Initial results indicate that the hematite cap is of better iron grade and larger than initially thought, and the grade of the underlying magnetite is typically higher than other magnetite projects at 34-36% Fe.

#### ***Pinnacle***

- Drilling to commence at the Kukuna iron ore project (Sierra Leone) in the December quarter targeting five large zones of hematite schist.
- A high resolution, airborne magnetic geophysical survey flown over the Sandenia iron ore project during the quarter. Acquired data is currently being processed to define drill targets.

#### ***Sappes***

- Preliminary Environmental Input Study for Sappes to be lodged in the December 2010 quarter marking the first key step in permitting for gold production.

## CORPORATE

### **Strategy and Business Model**

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

Through acquisitions including the acquisition of CopperCo Limited's assets, and subscriptions to convertible notes, the Company has exposure to iron ore, copper, gold, uranium, phosphate, lead-silver-zinc and vanadium assets in Australia, 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.

### **Acquisitions**

#### ***Leichhardt Copper Project (100% interest)***

Cape Lambert through a wholly owned subsidiary, Cape Lambert Leichardt Pty Ltd, successfully completed the acquisition of the Leichardt Copper Project from Matrix Metals Limited (Receivers and Managers Appointed) (In Liquidation) on 18 August 2010.

#### ***DMC Mining (100% interest)***

The compulsory acquisition of all remaining shares in DMC Mining Limited ("DMC Mining") was completed on 20 August 2010. Consequently, DMC Mining was delisted from the Australian Securities Exchange ("ASX") on 1 September 2010. DMC Mining has an 80% interest in the Mayoko Iron Ore Project, located in the Republic of Congo.

### **Convertible Notes**

#### ***Repayments***

During the quarter, Latin Resources Limited ("Latin") repaid its \$2.2 million convertible note to the Company. The Company retains a 17.8% equity interest in Latin, which was admitted to official quotation on the ASX (ASX: LRS) during the quarter.

#### ***Subscriptions***

No convertible notes were subscribed for during the quarter.

### **Divestments**

During the quarter, the Company reduced its non core shareholding in NiPlats Australia Limited from 39% to 8% at 30 September 2010, realising \$9.6 million.

### **Special Dividend**

Payment of a special dividend to Shareholders of \$44 million (\$0.07 per share) was completed during the quarter.

### **Reconciliation of Cash**

During the quarter, the Company's net cash outflow amounted to approximately \$90 million accounted for largely as the payment of a special dividend (\$43.8 million), take over of DMC Mining (\$32.4 million), acquisition of Leichhardt Copper Project (\$6.6 million), loan facility to Chameleon Mining NL (\$6.5 million) and various other minor transactions.

### **MCC Legal Action**

On 8 September 2010, Cape Lambert announced that it had commenced legal action against MCC Australia Sanjin Mining Pty Ltd, and its parent company Metallurgical Corporation of China Limited (collectively "MCC") to recover the final \$80 million payment from the sale of the Cape Lambert magnetite iron ore project. Cape Lambert received payments totalling \$320 million in 2008, with the final payment due on the earlier of the grant of mining approvals or within two years. Cape Lambert has retained the services of Lavan Legal to assist with the matter, after discussions between MCC and Cape Lambert to resolve the non payment proved unsuccessful. A writ was lodged with the Supreme Court on 7 September 2010, with a Status Conference hearing held on 8 October 2010. Cape Lambert is confident that it will be successful in establishing that the final payment is due and payable by MCC.

### **Chameleon Mining**

During the quarter, Cape Lambert entered into a strategic alliance with Chameleon Mining NL ("Chameleon"). The strategic alliance provided Chameleon with an injection of capital, operational funding and significant mining expertise. In exchange, Cape Lambert is entitled to a share of any positive outcome from the Federal Court decision in respect of Murchison Metals Ltd and the ownership of the producing Jack Hills iron ore asset.

In 2007, Chameleon commenced proceedings in the New South Wales Registry of the Federal Court against Murchison Metals Ltd and its related entities ("Murchison"), a former director and Mr Phillip Grimaldi (who was a director of Murchison) ("Grimaldi").

Chameleon's claim was that its former directors and Grimaldi were guilty of serious breaches of their fiduciary duties to Chameleon, through their involvement in a number of extraordinary transactions, for their personal benefit and for the benefit of Murchison.

On 20 October 2010, Justice Jacobson delivered his decision. His Honour (amongst other things) held:

- 1 that Murchison was liable to account for the income it derived from what the Court found to be breaches of fiduciary duty. The Court held that the value of funds obtained from Chameleon by reason of the breaches of fiduciary duty applied for the benefit of Murchison accounted for 24% of the consideration of the "Iron Jack Project" (Murchison's flagship asset); and
- 2 that Grimaldi was liable to account for profits obtained by him and for 10 million shares in Murchison. The Court found that the value of the 10 million shares would be assessed at either the value of Murchison shares on 20 October 2010 (\$1.52 – equating to \$15.2 million) or the value of the shares when sold (Chameleon advises that this is likely to be in excess of \$30 million).

Chameleon is in the process of engaging an independent accounting firm to determine the potential value of the Court's determination. A hearing has been listed for 4 November 2010 to progress the matter.

## PROJECTS

### **Marampa Iron Ore Project (100%) ("Marampa")**

Marampa is a brownfields hematite iron ore project at advanced exploration stage, located 90km north east of Freetown, Sierra Leone, West Africa. Marampa comprises a granted exploration licence (EXPL09/06 "Lunsar", 305km<sup>2</sup>) and a newly granted Reconnaissance Licence (RL01/2010 "Marampa East", 239km<sup>2</sup>) (refer Figure 2).

Eight drill prospects prospective for hematite schist mineralisation have been identified including a new prospect named Kumrabai at Marampa East (refer Figure 3). A total of 12,455m of diamond drilling and 1,192m of reverse circulation ("RC") drilling has been completed to date at three prospects (Gafal West, Matukia and Petifu) (refer Figure 3). A maiden JORC resource estimate for only two of the known eight prospects, metallurgical test work, scoping study and refurbishment of the Marampa railway and Pepel Port infrastructure is underway.

#### ***Drilling***

Two additional diamond drill rigs and one RC drill rig arrived at Marampa during the quarter. There are now five drill rigs working at Marampa.

Resource definition drilling continued on 200m spaced cross sections at Matukia and Gafal West (refer Figure 3) with a total of six holes for 1,588m of diamond drilling and 14 RC holes for 1,192m completed in the quarter.

Scout diamond drilling commenced at the Petifu prospect (refer Figure 3), a 4km long induced polarisation ("IP") anomaly located under shallow cover to the north of the Matukia prospect. Two holes were completed for 679m.

Independent mining consultant, Golders Associates was engaged to complete a maiden JORC resource estimate for the available drilling results from the Matukia and Gafal West prospects. The maiden JORC resource estimate is expected to be finalised and released to the market in early November, and represents only two of the eight known prospects, being approximately 25% of the known strike.

#### ***Rail and Port Infrastructure***

Marampa is connected to the deep water port, stockpiling and ship loading facility at Pepel Port via the 84km Marampa railway ("Marampa Infrastructure"). In conjunction with African Minerals Limited ("African Minerals"), the Company has a 33% ownership of, and access rights to the Marampa Infrastructure. African Minerals is currently managing the refurbishment of the Marampa Infrastructure.

In respect of the Company's ownership and access rights to the Marampa Infrastructure, a term sheet has been signed and the preparation of formal legal documentation is in progress. During the quarter, the long stop date in respect of formal legal documentation was extended to 31 January 2011. Notwithstanding the revised date, African Minerals continues the refurbishment works and have advised that the works will be completed in accordance with the current schedule.

#### ***Scoping Study***

Bateman Engineering Pty Ltd ("Bateman") continued work on a scoping study for the establishment of a standalone, open pit mining operation and concentrator to produce 2.5-5Mtpa of hematite concentrate, expandable to 10Mtpa. The scoping study is due for completion in the December 2010 quarter.

As part of this study, Bateman commenced metallurgical test work on two representative run-of-mine composite samples from the Matukia and Gafal West prospects (refer Figure 3), with the aim of determining mass recovery to concentrate, concentrate quality, and defining the proposed wet, high intensity magnetic separation ("WHIMS") process flowsheet.

This metallurgical test work was conducted based on single stage crushing, SAG milling to a primary grind of 80% passing 440 µm, roughing, cleaning and re-cleaning WHIMS stages, with middling fractions reground to 100% passing 250 µm, followed by WHIMS cleaning and re-cleaning stages.

Initial results (prior to circuit optimisation) show a hematite concentrate grading of 63-65% Fe, 3.7-4.3% SiO<sub>2</sub>, 0.9-1.2% Al<sub>2</sub>O<sub>3</sub>, nil S and 0.02% P can be produced with a mass and iron yield of 30-33% and 80-83% respectively.

Flowsheet optimisation is currently in progress to further enhance mass and iron yield.

SRK Consulting (UK) Limited continued work on an environmental scoping study with the objectives of defining the framework and steps required to permit Marampa for iron ore production. The environmental scoping study is due for completion late November 2010.

### ***Sierra Leone – Regional Exploration***

Two Reconnaissance Licences RL04/2010 ("Gbinti West") and RL03/2010 ("Mawanka") covering 678km<sup>2</sup> were granted during the quarter (refer Figure 2). These new licences are held by Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, and cover areas prospective for large hematite deposits along strike of Marampa. The Gbinti West licence has two known occurrences of specular hematite mineralisation (refer Figure 2).

In addition, five more applications for reconnaissance licences covering 1,942km<sup>2</sup> have been lodged with the Ministry of Mineral Resources (refer Figure 2).

Including Marampa, the existing and newly granted licences (1,222km<sup>2</sup>) and the applications (1,942km<sup>2</sup>) secure a dominant landholding (total 3,164km<sup>2</sup>) in an under explored region with the potential for discovery of new hematite deposits less than 70km from the existing Marampa Infrastructure.

Airborne geophysics and geological mapping will be undertaken in the December 2010 quarter to define targets on the three new Reconnaissance Licences.

### **Mayoko Iron Ore Project (80%) ("Mayoko")**

Mayoko is a hematite and magnetite iron ore project comprising a granted 1,000km<sup>2</sup> exploration licence located 300km northeast of the Atlantic Ocean port city of Pointe Noire in the Republic of Congo, West Africa (refer Figure 4). An operational, heavy haulage railway that runs from Mbinda to Pointe Noire passes within 2km of the Mt Lekoumou prospect at Mayoko (refer Figure 4).

Mayoko has an existing total Inferred Mineral Resource of 33Mt at 56% Fe (above a 50% Fe cut-off) of supergene hematite ("DSO") based on shallow drilling completed in 1974-75 (refer ASX announcement by DMC Mining dated 7 May 2008).

A high resolution airborne magnetic survey completed in 2009 identified six drill targets within a 220km<sup>2</sup> area. The remainder of the licence is unexplored.



A first pass of drilling comprising 18 diamond drill holes for 3,687m was completed at the Mt Lekoumou and Mt Mipoundi prospects during the September 2010 quarter. Head assay results were received for the first batch of holes during the quarter (refer ASX announcement dated 14 September 2010) with significant results including:

- 42m at 55.1% Fe of in-situ supergene hematite from surface in MKDD003, including 22m at 57.4% Fe from surface;
- 20m at 56.1% Fe of transported supergene hematite from 4m in MKDD001, including 14m at 59% Fe from 8m;
- 38m at 38.1% Fe of enriched banded iron formation ("BIF") from 20m in MKDD006, including 22m at 42.2% Fe from 20m;
- 151m at 36.1% Fe of fresh BIF from 251m in MKDD002, and
- 131m at 32.4% Fe of fresh BIF from 92m in MKDD007.

The first batch of assay results confirm there is a well developed in-situ supergene hematite zone up to 40m thick at Mt Lekoumou, which thins along strike towards Mt Mipoundi to the northeast. Transported colluvial iron mineralisation overlies the in-situ supergene hematite and extends down the flanks of the ridges at Mt Lekoumou and Mt Mipoundi. The in-situ and transported iron mineralisation represents potential DSO.

Underlying the in-situ supergene hematite is variably oxidised and enriched BIF extending from 25 to 75m below surface. Underlying the enriched BIF is fresh magnetite BIF. The fresh magnetite BIF occurs in lenses from 50 to 200m thick extending to more than 300m below surface with Fe grades typically 32-36% Fe.

Head assay results for the second batch of samples will be available in the December 2010 quarter. Ore characterisation studies are in progress including mineralogy, and Davis Tube Recovery analyses.

### **Pinnacle Group Assets Limited (37.2% interest and Manager) ("Pinnacle")**

Cape Lambert is the Manager of Pinnacle and funds its working capital. The working capital funding is provided through a mezzanine debt structure, which at Cape Lambert's election can either be repaid or converted into equity.

Pinnacle holds interests in two early stage iron ore projects and one early stage coal project covering a total concession area of 3,925km<sup>2</sup> located in the Republic of Guinea and Sierra Leone, West Africa (refer Figure 2).

### ***Kukuna Iron Ore Project – Sierra Leone***

The Kukuna Iron Ore Project is located 120km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km<sup>2</sup> granted in August 2009 (refer Figure 2). The licence lies 70km due north of the existing Marampa railway.

The Kukuna licence straddles the eastern boundary of the Neoproterozoic Rokel-Kasila Belt and contains rocks correlated with the Marampa Group, which host the specular hematite schist iron mineralisation at Marampa.

Regional mapping completed by SRK Consulting early in the quarter defined five large target areas. These areas are largely located under laterite cover. Pitting, trenching and line-clearing for ground geophysics commenced in the quarter. This work aims to confirm the widths of the hematite schist units beneath laterite cover as a precursor to define the best targets for drilling.

### ***Sandenia Iron Ore Project – Guinea***

The Sandenia Iron Ore Project is located 290km east northeast of Conakry in the central south of the Republic of Guinea and comprises two exploration permits covering 608km<sup>2</sup> granted in April 2010 (refer Figure 2). Pinnacle paid US\$1,000,000 to exercise its rights to purchase the permits in August 2010.

A high resolution, airborne magnetic geophysical survey, was flown over the permits in the September quarter. The survey data has been received and geophysical interpretation has commenced. Follow up geological mapping and sampling will be undertaken in the December 2010 quarter.

### ***Bullom Lignite Project – Sierra Leone***

The Bullom Lignite Project (“Bullom”) located in west Sierra Leone comprises three exploration licences covering 3,459km<sup>2</sup> granted to Pinnacle in 2008. The licences cover a substantial proportion of the Tertiary Bullom Formation, which forms much of the coastal lowlands of Sierra Leone. No work was undertaken at Bullom during the quarter.

### **Sappes Gold Project (100%) (“Sappes”)**

Sappes is a gold development project located in north eastern Greece approximately 30km northwest of the Aegean Sea port city of Alexandroupoulos, on a 20.1km<sup>2</sup> mining lease granted until 2023 (refer Figure 5).

Sappes’ development is based around the high-grade, underground Viper deposit and an open pit nearby at the St Demetrios deposit. A feasibility study was originally completed in 2003 by Kvaerner Engineering and Construction UK Ltd and later updated in 2006.

The Company’s strategy is to commence the permitting of operations at Sappes to enable its sale with a significant portion of the permitting discount removed. Work on updating the feasibility study was completed early October 2010.

Environmental consultants have commenced preparation of the Preliminary Environmental Impact Study (“PEIS”). Lodgement of the PEIS will be completed during the December 2010 quarter, which will mark completion of the first key step in the permitting process.

### **Leichhardt Copper Project (100%) (“Leichhardt”)**

The Leichhardt Copper Project, which is currently on care and maintenance, is located approximately 100km northeast of Mt Isa in the highly prospective Mt Isa Inlier (refer Figure 7) and comprises:

- The Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility with installed capacity of 9,000 tpa of copper cathode;
- A package of 43 granted tenements of approximately 850km<sup>2</sup> and 11 Exploration Permit applications for an additional 500km<sup>2</sup>;
- The established Mt Watson oxide, open pit located approximately 30km north of the Leichhardt process plant, and
- A total Measured, Indicated and Inferred Mineral Resource of oxide and transition copper mineralisation of 8.2Mt at approximately 0.9% Cu (total contained copper of approximately 77,000 tonnes) at the Mt Watson and satellite deposits<sup>1</sup>.

<sup>1</sup> Refer Matrix Metals Limited, 2008 Annual Report lodged with ASX on 28 October 2008.



The Company has commenced a systematic evaluation of the exploration dataset, with the objective of identifying drill targets and commencing drilling, and metallurgical test work programs to define additional oxide copper resources to add to the existing copper inventory.

### **Australis Exploration Limited (100%) (“Australis”)**

Australis Exploration Limited (“Australis”) holds a portfolio of mineral rights, tenements and subsidiaries (refer Figure 6), which presently comprises:

- The exclusive rights to explore for and retain any value associated with rock phosphate on the tenements held by CST Minerals Lady Annie Pty Ltd (“CSTLA”) (“Lady Annie Phosphate Rights”);
- 10 granted Exploration Licences totalling 13,900km<sup>2</sup> in the eastern Northern Territory;
- 12 applications for Exploration Permits totalling 5,760km<sup>2</sup> in north west Queensland, and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted Exploration Permits totalling 3,610km<sup>2</sup>, located 150km south of Mt Isa.

The CSTLA tenements cover part of the Lady Annie, Lady Jane and Galah Creek rock phosphate deposits.

Five grassroots rock phosphate targets have been identified on the granted Northern Territory licences. These lie along the northern margin of the Georgina Basin and on a basement high, 50km from the Wonarah rock phosphate project being developed by Minemakers Limited.

A geological and geophysical prospectivity assessment of the Northern Territory and Queensland tenement packages was completed. Areas with high priority targets were retained or ear marked for joint venture, and several licences and applications with negligible prospectivity were surrendered.

An Ancillary Agreement covering three exploration applications was signed with the Indjalandji-Dhidhanu People and Australis during the period with tenement approval expected by year’s end.

### **Cape Lambert South Project (100%) (“Cape Lambert South”)**

Cape Lambert South comprises exploration licences E47/1493 and E47/1760 covering 69.5km<sup>2</sup> located in the coastal Pilbara region of Western Australia. The southern block of the licence hosts magnetite banded iron formation deposits, which represent the southern extension of the magnetite project owned by China Metallurgical Group Corporation. No work was conducted at Cape Lambert South during the quarter.

#### **Competent Person:**

*The contents of this report relating to exploration results and mineral resources is based on information compiled by Kim Bischoff, a Member of the Australasian Institute of Mining and Metallurgy. Mr Bischoff is a consultant to Cape Lambert and has sufficient experience relevant to the styles of mineralisation and the deposits 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 Bischoff 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 metallurgical test results is based on information compiled by GV Ariti, a Member of the Australasian Institute of Mining and Metallurgy. Mr Ariti is a consultant to Cape Lambert and has sufficient experience relevant to the styles of mineralisation and the deposits 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 Ariti consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.*

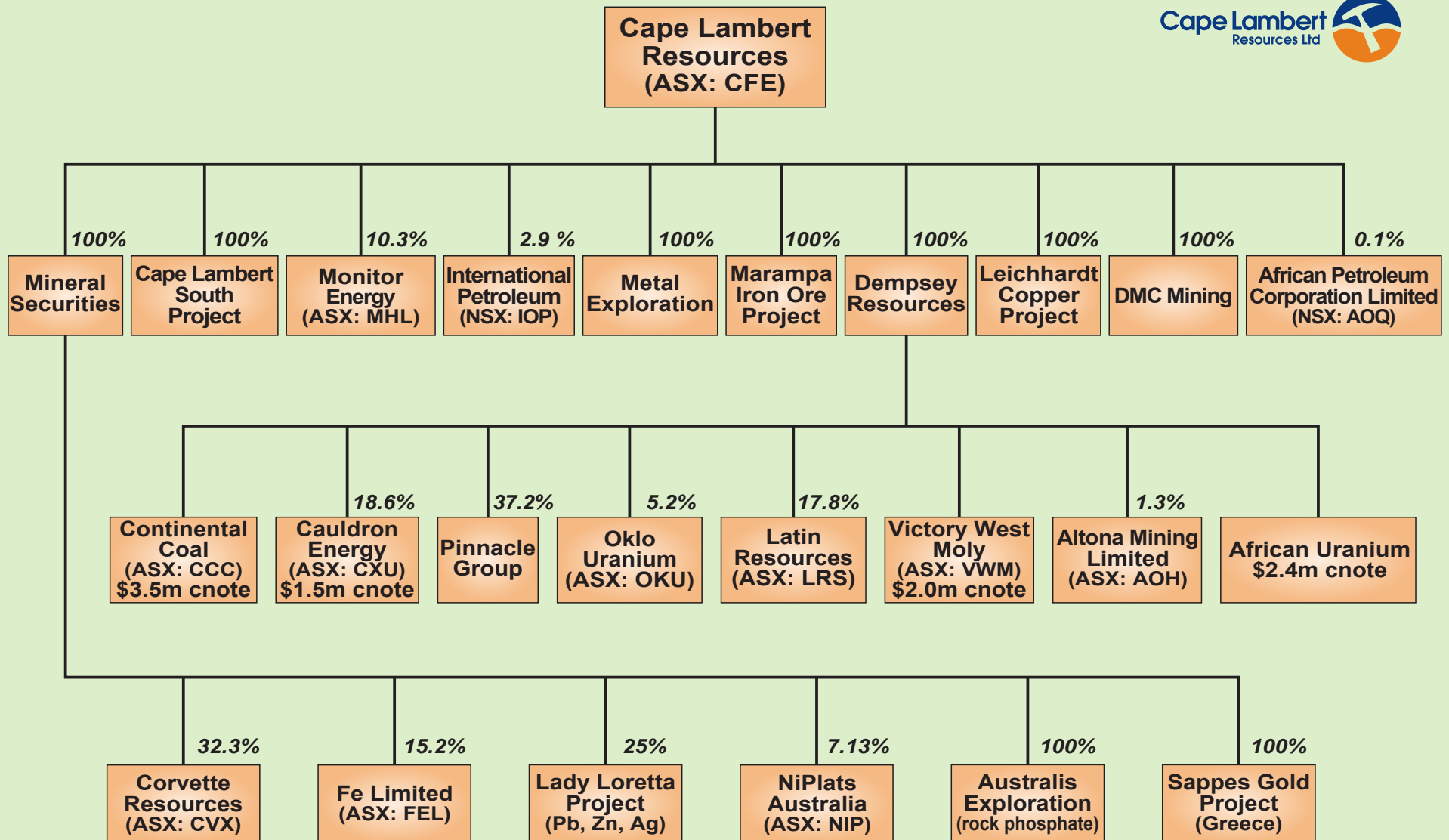
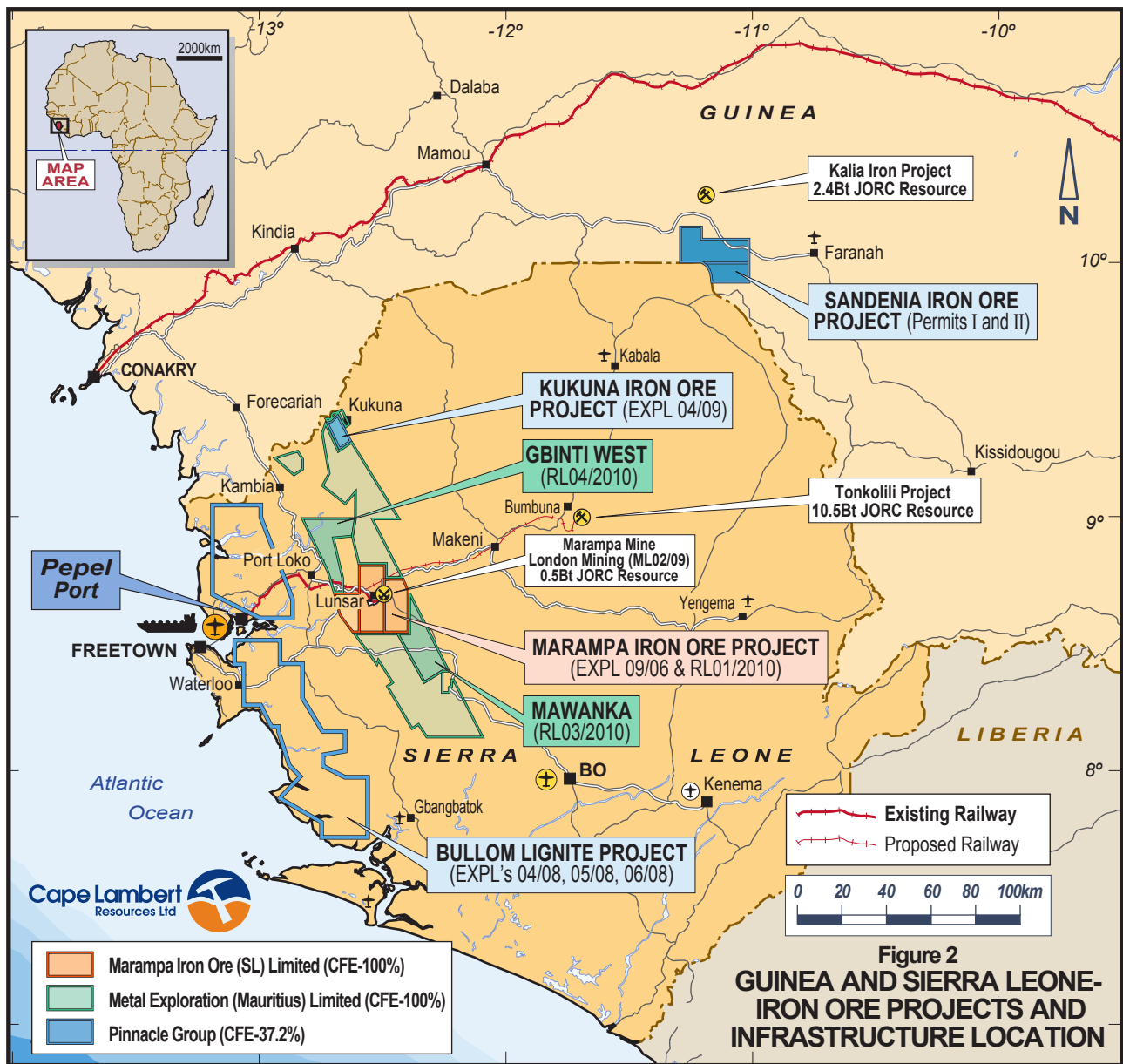


Figure 1  
**GROUP STRUCTURE**  
(October 2010)



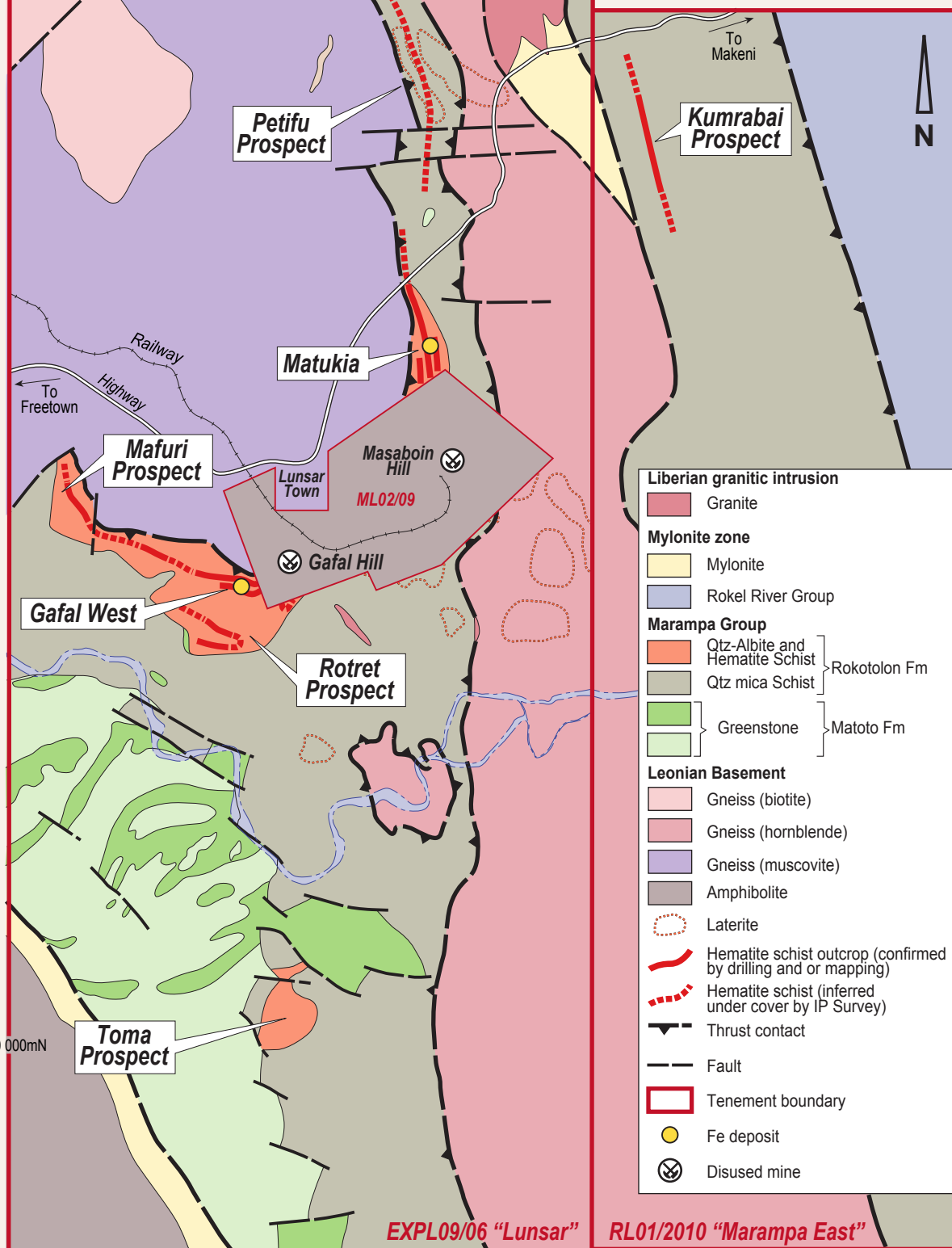
770 000mE

780 000mE

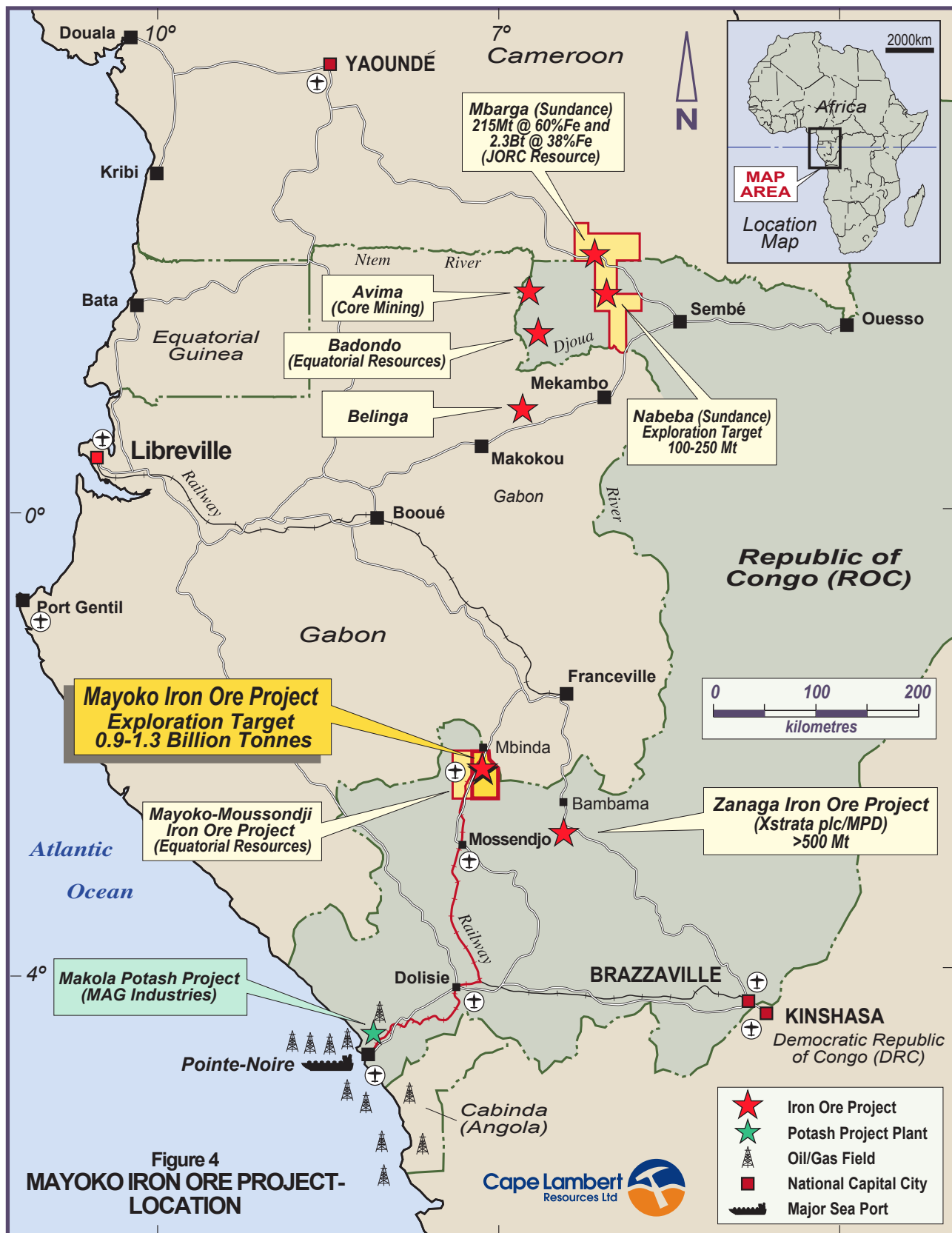
Figure 3  
**MARAMPA PROJECT-  
DEPOSIT AND PROSPECT  
LOCATIONS**

0 5km

970 000mN

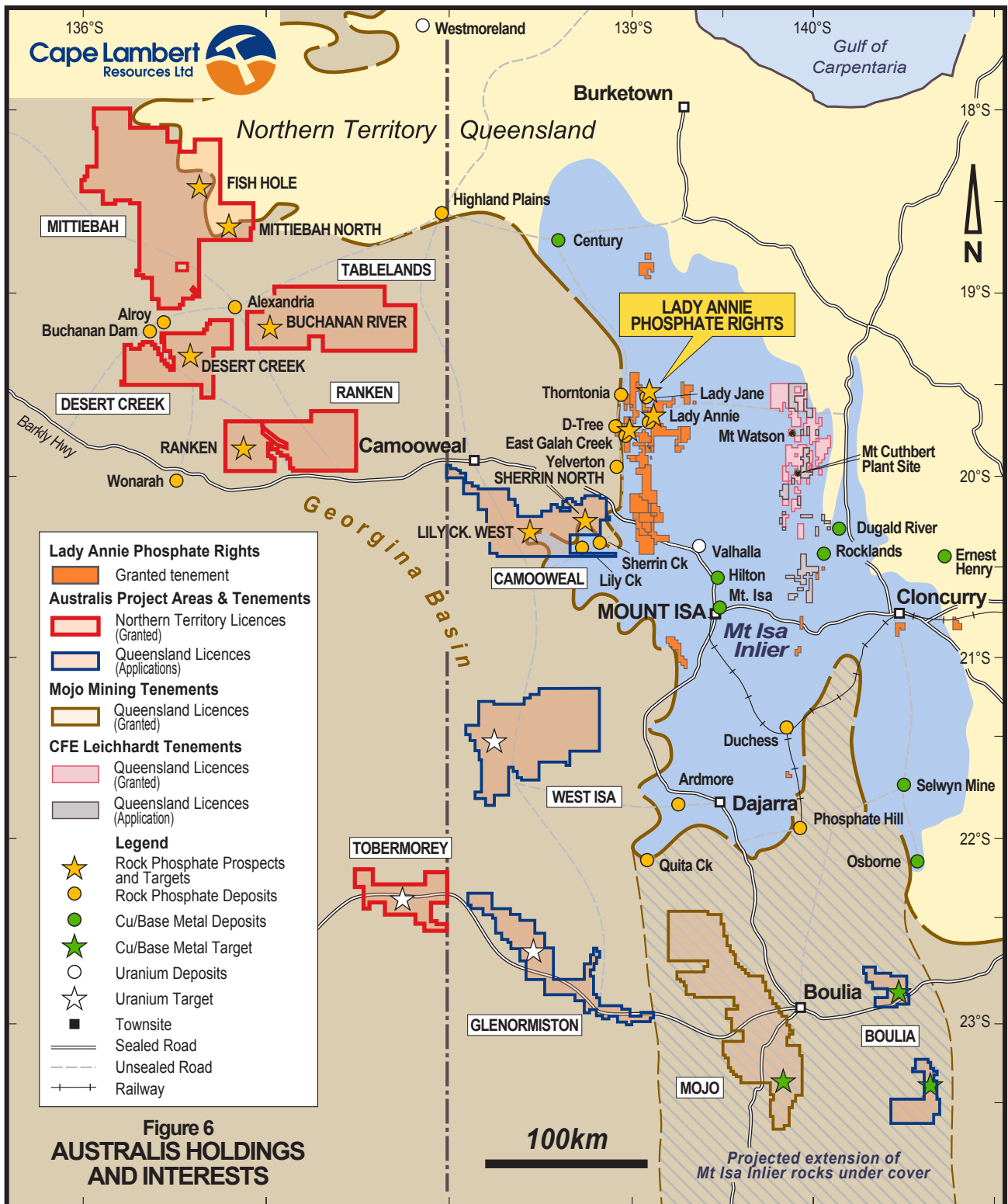


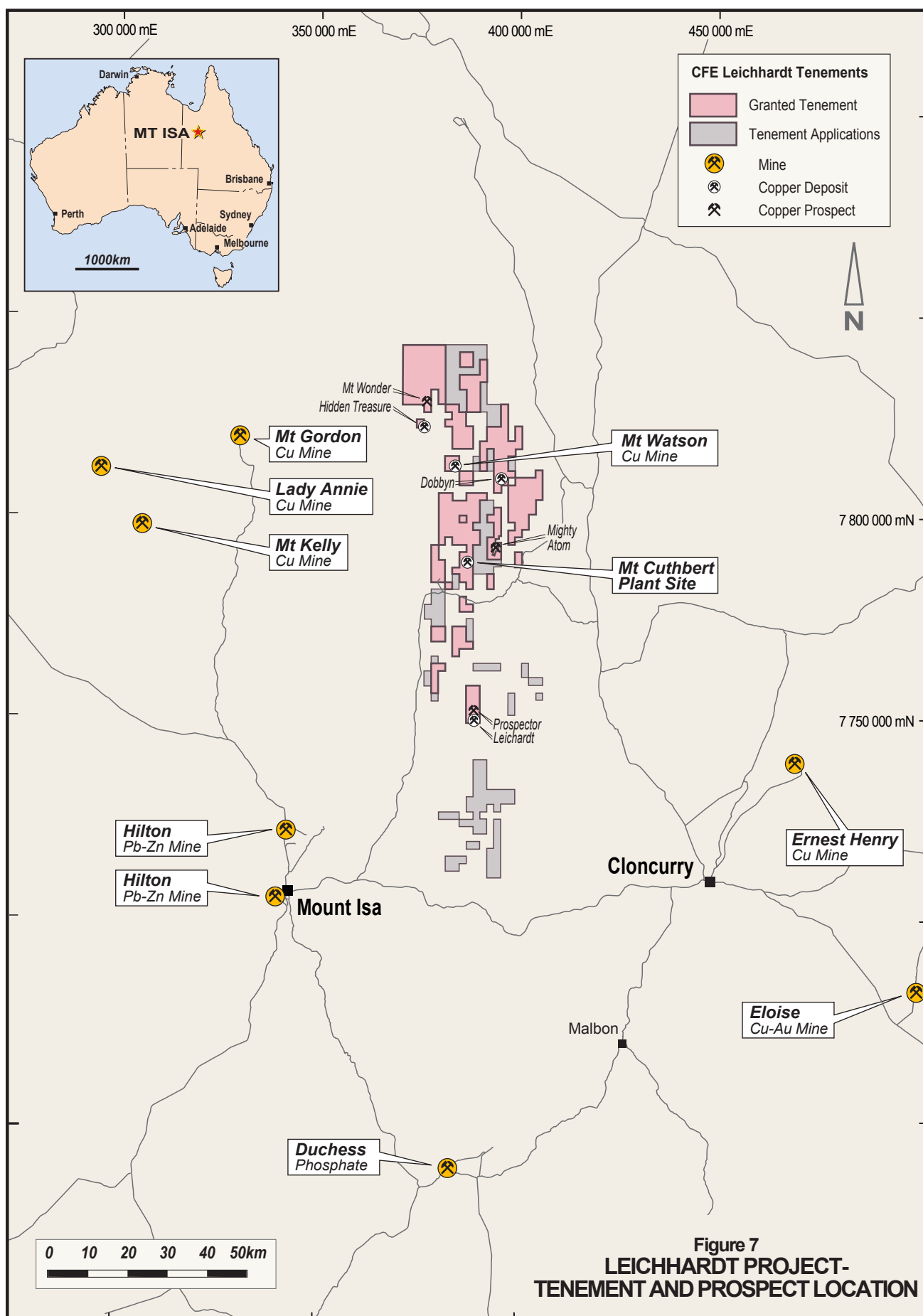
950 000mN











# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

CAPE LAMBERT RESOURCES LIMITED

ABN

71 095 047 920

Quarter ended ("current quarter")

30 September 2010

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for		
	(a) exploration and evaluation	(2,833)	(2,833)
	(b) development	-	-
	(c) production & care & maintenance costs	-	-
	(d) administration	(3,846)	(3,846)
1.3	Dividends received	-	-
1.4	Interest and similar items received	1,453	1,453
1.5	Interest and other costs of finance paid	(2)	(2)
1.6	Income taxes paid	-	-
1.7	Other	-	-
	<b>Net Operating Cash Flows</b>	<b>(5,228)</b>	<b>(5,228)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of:		
	(a) prospects (Leichhardt Copper Project)	(6,651)	(6,651)
	(b) equity investments	(4,271)	(4,271)
	(c) other fixed assets	(288)	(288)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	2,187	2,187
1.12	Other: Payments pursuant to takeover offer	(32,368)	(32,368)
	Other: Proceeds from sale of interest in associate	9,634	9,634
	Other: Repayment of convertible note	2,240	2,240
	Other: Cash backing security required for performance / other bonds & bank guarantees	(2,272)	(2,272)
	Other: Restricted cash balances released	179	179
	Other: Loan to associate	(1,513)	(1,513)
	Other: Provision of loan facility	(6,500)	(6,500)
	Other: Payment of transaction related costs	(1,350)	(1,350)
	<b>Net investing cash flows</b>	<b>(40,973)</b>	<b>(40,973)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>1.13</b>	<b>Total operating and investing cash flows (carried forward)</b>	<b>(46,201)</b>	<b>(46,201)</b>
	<b>Cash flows related to financing activities</b>		
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	(43,803)	(43,803)
1.19	Other	-	-
	<b>Net financing cash flows</b>	<b>(43,803)</b>	<b>(43,803)</b>
	<b>Net (decrease) in cash held</b>	<b>(90,004)</b>	<b>(90,004)</b>
1.20	Cash at beginning of quarter/year to date	135,709	135,709
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>45,705</b>	<b>45,705</b>

**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	163
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$162,750 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

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

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

+ See chapter 19 for defined terms.



### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	3,000
4.2 Development	-
4.3 Production	-
4.4 Administration	3,900
<b>Total</b>	<b>6,900</b>

### 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	45,705	17,210
5.2 Deposits at call	-	118,500
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>45,705</b>	<b>135,710</b>

### 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		Refer attached schedule		
6.2 Interests in mining tenements acquired or increased		Refer attached schedule		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	625,759,256	625,759,256		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Nil	Nil	N/A	N/A
7.8 Issued during quarter				
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>				
7.12 <b>Unsecured notes</b> <i>(totals only)</i>				

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+ See chapter 19 for defined terms.

## **Compliance statement**

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:            Antony Sage  
                                 Director

Date: 29 October 2010

## **Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Appendix for item 6.2: Interests in mining tenements acquired or increased**

<b>Tenement reference</b>		<b>Nature of interest (note (2))</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
EPM9867	Mt Watson 1	GRANTED	-	100%
EPM11025	Mt Cuthbert Copper	GRANTED	-	100%
EPM11090	Hidden Treasure	GRANTED	-	100%
EPM11387	Mt Cutbert North	GRANTED	-	100%
EPM13577	Mt Watson 2	GRANTED	-	100%
EPM13600	Mt Watson 3	GRANTED	-	100%
EPM14282	Mt Cuthbert North 2	GRANTED	-	100%
EPM14622	Julius Road	GRANTED	-	100%
EPM15005	Watson 4	GRANTED	-	100%
EPM15251	Alsace	GRANTED	-	100%
EPMA16991	Mt Stanley	GRANTED	-	100%
ML2492	Hidden Treasure Ext West	GRANTED	-	100%
ML2494	Sparklet	GRANTED	-	100%
ML2504	Wee Macgregor	GRANTED	-	100%
ML2514	Dinkum Digger	GRANTED	-	100%
ML2515	Scotch Man	GRANTED	-	100%
ML2635	Orphan South	GRANTED	-	100%
ML2636	Orphan North	GRANTED	-	100%
ML2705	Dobbyn	GRANTED	-	100%
ML2706	Crusader	GRANTED	-	100%
ML2708	Crusader No 2	GRANTED	-	100%
ML2715	Orphan	GRANTED	-	100%
ML2747	Mount Cuthbert 1	GRANTED	-	100%
ML2748	Mount Cuthbert No 2	GRANTED	-	100%
ML2771	Lady Ethleen	GRANTED	-	100%
ML2773	Rosebud	GRANTED	-	100%
ML2784	Hidden Treasure	GRANTED	-	100%
ML7520	Warwick Castle	GRANTED	-	100%
ML90066	Leichardt	GRANTED	-	100%
ML90090	Mt Cuthbert South	GRANTED	-	100%
ML90091	Borefield	GRANTED	-	100%
ML90092	Warwick Castle Surrounded	GRANTED	-	100%
ML90098	Wee Macgregor Consolidated	GRANTED	-	100%
ML90101	Standby	GRANTED	-	100%
ML90137	Hidden Treasure South Extended	GRANTED	-	100%

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**Appendix 5B**  
**Mining exploration entity quarterly report**

ML90141	Mighty Atom	GRANTED	-	100%
ML90142	Ned Kelly	GRANTED	-	100%
ML90154	Mount Watson 1	GRANTED	-	100%
EPMA16607	WEST ISA 1	SURRENDERED	100%	-
RL 01/2010	Marampa East	GRANTED	-	100%
RL 04/2010	Gbinti West	GRANTED	-	100%
RL 03/2010	Mawanka	GRANTED	-	100%

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+ See chapter 19 for defined terms.