
CAPE LAMBERT RESOURCES LIMITED

ACN 095 047 920

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9.00am (WST)

DATE: 30 November 2010

PLACE: Function Centre
Kalis Bros Fish Market & Centre
101 Oxford Street
LEEDERVILLE WA 6007

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9555.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.00am (WST) on 30 November 2010 at:

Function Centre
Kalis Bros Fish Market & Centre
101 Oxford Street
LEEDERVILLE WA 6007

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- (a) in person to Computershare Investor Services Pty Limited, Level 2, 45 St George's Terrace Perth, Western Australia 6000; or
- (b) by post to Computershare Investor Services Pty Ltd, PO Box 242 Melbourne, Victoria 3001 or in the self address envelope provided; or
- (c) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia)

so that it is received not later than 9.00am (WST) on 28 November 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 9:00am (WST) on 30 November 2010 at the Function Centre, Kalis Bros Fish Market & Centre, 101 Oxford Street, Leederville, Western Australia 6007.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at the opening of business on 28 November 2010.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2010.”

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRIAN MAHER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Brian Maher, a Director who retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 - REAPPOINTMENT OF DIRECTOR – ROSS LEVIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution of the Company and for all other purposes, Ross Levin who was appointed on 1 April 2010 retires, and being eligible is re-elected as a Director.”

4. RESOLUTION 4 – APPROVAL TO ISSUE - OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of 3,100,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the 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 of their associates. However, 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.

5. RESOLUTION 5 – ALLOCATION OF OPTIONS TO DIRECTOR – TONY SAGE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 2,800,000 Options to Tony Sage (or his nominee) on the 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 Tony Sage and his associates. However, 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.

6. **RESOLUTION 6 – ALLOCATION OF OPTIONS TO DIRECTOR – TIM TURNER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 900,000 Options to Tim Turner (or his nominee) on the 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 Tim Turner and his associates. However, 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.

7. **RESOLUTION 7 – ALLOCATION OF OPTIONS TO DIRECTOR – BRIAN MAHER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 600,000 Options to Brian Maher (or his nominee) on the 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 Brian Maher and his associates. However, 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.

8. **RESOLUTION 8 – ALLOCATION OF OPTIONS TO DIRECTOR – ROSS LEVIN**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the issue of 600,000 Options to Ross Levin (or his nominee) on the 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 Ross Levin and his associates. However, 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.

9. RESOLUTION 9 – AMENDMENT TO CONSTITUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, pursuant to Section 136(2) of the Corporations Act and for all other purposes, the Constitution of the Company be amended by:

(a) *clause 21.1 be deleted and replaced with the following:*

“Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.”

(b) *clause 21.3 be deleted in its entirety.*

DATED: 20 OCTOBER 2010

BY ORDER OF THE BOARD

**ELOISE VON PUTTKAMMER
CAPE LAMBERT RESOURCES LIMITED
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.00am (WST) on 30 November 2010 at the Function Centre, Kalis Bros Fish Market & Centre, 101 Oxford Street, Leederville, Western Australia 6007.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company's annual financial report on its website at www.capelam.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR

3.1 General

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Company currently has 4 Directors and accordingly 1 Director must retire.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Brian Maher retires by rotation and seeks re-election. A summary of Brian Maher is contained in the 2010 Annual Report.

4. RESOLUTION 3 – REAPPOINTMENT OF DIRECTOR – ROSS LEVIN

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Ross Levin was appointed a Director on 1 April 2010 and will retire in accordance with clause 13.4 of the Constitution and being eligible seeks re-election. A summary of Ross Levin is contained in the 2010 Annual Report.

5. RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO CONSULTANTS AND EMPLOYEES

5.1 General

The Company proposes to issue a total of 3,100,000 Options to employees and consultants of the Company as a reward and incentive to promote motivation, company ownership and loyalties (**Option Placement**). 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. Accordingly, the Company considers it appropriate to issue employees and consultants Options to align the interests of the employees and consultants with those of Shareholders and increase Company performance.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue during any 12 month period any equity securities, or other securities with rights to conversion to equity (such as an option), if the number of those securities exceeds 15% of the number of securities in the same class on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Directors to issue the Options the subject of the Options Placement to the employees and consultants during the period of 3 months after the date of the Meeting (or a longer period if allowed by ASX) without using the Company's 15% annual placement capacity.

None of the persons receiving the Options the subject of the Options Placement are related parties of the Company.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Options Placement:

- (a) 3,100,000 Options will be issued;

- (b) the Options will be issued for nil cash consideration;
- (c) the Options will be issued to consultants and employees of the Company, none of whom are related parties of the Company;
- (d) the Options will be issued on the terms set out in Schedule A;
- (e) the Options will be issued no later than 3 months after the date of the Meeting (or such other 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 one date; and
- (f) no funds will be raised from the issue of the Options as they are being issued in consideration for their services to the Company and to promote motivation, company ownership and loyalty.

6. RESOLUTIONS 5, 6, 7 AND 8 – ALLOCATION OF OPTIONS TO DIRECTORS

6.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 4,900,000 Options (**Director Options**) to Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin, on the terms and conditions set out below.

For a public company to give a financial benefit to a related party of the public company, the public company must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The issue of Director Options to the Directors requires the Company to obtain Shareholder approval because the Director Options constitute giving a financial benefit and as Directors, Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of the Director Options to the Directors.

6.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Director Options to the Directors:

- (a) the related parties are Messrs Tony Sage, Tim Turner, Brian Maher and Ross Levin and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be allocated to the related parties is:
 - (i) 2,800,000 Director Options to Tony Sage (or his nominee) (Resolution 5);
 - (ii) 900,000 Director Options to Tim Turner (or his nominee) (Resolution 6);
 - (iii) 600,000 Director Options to Brian Maher (or his nominee) (Resolution 7); and
 - (iv) 600,000 Director Options to Ross Levin (Resolution 8);
- (c) the Director Options will be granted to the Directors no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Shares will be allocated on one date;
- (d) the Director Options will be issued for nil cash consideration and accordingly no funds will be raised;
- (e) the Director Options will be issued on the terms set out in Schedule B;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule C;
- (g) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Tony Sage	34,590,430	Nil
Tim Turner	1,400,000	Nil
Brian Maher	1,365,000	Nil
Ross Levin	Nil	Nil

- (h) the remuneration from the Company to the Directors and their associates (for their roles as Directors and also consultancy arrangements with the Company) for both the current financial year and previous financial year are set out below:

Related Party	Current Financial Year (2010/2011)	Previous Financial Year (2009/2010)	
		Directors fees	Other Payments*
Tony Sage	\$550,000	\$531,750	\$1,350,000
Tim Turner	\$60,000	\$60,000	Nil
Brian Maher	\$48,000	\$35,250	Nil
Ross Levin	\$48,000	\$12,000	Nil

* The other payments relate to fees paid by the Company to entities associated with the Directors for agreed consulting services provided to the Company.

- (i) if the Director Options granted to the Directors are exercised, a total of 4,900,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 625,759,256 to 630,659,256 ¹ (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing shareholders would be diluted by an aggregate of 0.777%, comprising 0.44% by Tony Sage, 0.14% by Tim Turner, 0.095% by Ross Levin and 0.095% by Brian Maher. The market price of Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

Notes:

1. As announced by the Company on 7 October 2010, the Company intends to implement an on market share buy-back of up to 10% of the Company's Shares (**On Market Buy-Back**). As at the date of this Notice, no Shares have been acquired by the Company pursuant to the On Market Buy-Back. The above calculation assumes on Shares are bought back by the Company pursuant to the On Market Buy-Back.
- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Highest	\$0.63	20 January 2010
Lowest	\$0.31	2, 5 and 6 July 2010
Last	\$0.40	18 October 2010

- (k) the Remuneration Committee formed the view that it was appropriate to put an incentive programme in place for the Executive Chairman and Non Executive Directors so as to maximise the development and

disposal potential for the Company's existing projects. Accordingly, the primary purpose of grant of the Director Options is in recognition of their involvement in identifying, securing and negotiating significant transactions and to provide cost effective consideration to the Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors. The Board (other than in respect of the relevant Resolution that they have an interest in) considered the extensive experience and reputation of the relevant persons within the industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to the Directors. In addition, the Board considers the grant of the Director Options to the Directors to be reasonable, given the necessity to attract high calibre professionals to the Company whilst maintaining the Company's cash reserves. The Board does not consider there are any significant opportunity costs to the Company in issuing the Director Options to the Directors. The Directors have determined it both necessary and appropriate to seek Shareholder approval to proceed with the issue of the Director Options contemplated by Resolutions 6 to 8;

- (l) in respect of Resolutions 6 to 8:
 - (i) as advised by the Company in 2009/2010 ASX announcements and its 2010 Annual Report, the Company's focus is on acquiring, investing in and adding value to early stage mineral projects for development or sale. Details of the numerous and significant transactions involving the Company in the last financial year are set out in the 2010 Annual Report. Historically (and prospectively) acquisitions require the Company to have significant cash reserves available to it at the time of negotiation and acquisition;
 - (ii) the Company distributed to Shareholders \$44 million in the 2011 financial year and has stated publicly that it intends to continue to distribute funds to Shareholders upon realisation of its assets;
 - (iii) commentary relating to ASX Corporate Governance Principles and Recommendation Policy 8.2 states (inter alia) that non executive directors should normally be remunerated by way of fees in the form of cash, non cash benefits, superannuation contributions or salary sacrifice into equity and should not receive options or bonus payments (and the issue of Director Options to Messrs Turner, Maher and Levin may be considered a bonus payment). Accordingly, the Board acknowledges the issue of Directors Options to Messrs Turner, Maher and Levin is contrary to this recommendation. However, the Board considers the issue of Director Options to those parties is an effective method available to Shareholders to consider in remunerating these Directors as opposed to a cash payment, given the historical and proposed business model which requires that the Company maintains a strong cash position for future acquisitions of assets and distributions to Shareholders).

Shareholders should consider the above matters carefully before deciding how to vote on these Resolutions.

- (m) Tony Sage declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board (other than Tony Sage) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (n) Tim Turner declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board (other than Tim Turner) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (o) Brian Maher declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board (other than Brian Maher) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.
- (p) Ross Levin declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board (other than Ross Levin) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Directors as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Director Options to the Directors will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

7. RESOLUTION 9 – AMENDMENT TO CONSTITUTION

7.1 General

A company may by special resolution amend its Constitution.

7.2 Dividend

There have been recent changes to the dividend payment provisions in the Corporations Act which came into effect on 28 June 2010. A new section 254T has been included in the Corporations Act which introduces a three-tiered test that a company will need to satisfy before paying a dividend. This replaces the previous test that a company may only pay dividends from profits.

The new section 254T of the Corporations Act provides that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The Company's existing Constitution currently reflects the former profits test and restricts dividends to be paid only out of the profits of the Company.

Accordingly, the Company proposes to:

- (a) delete clause 21.3 in its entirety which currently reads:

"No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive".
- (b) delete clause 2.1 and replace with the following:

"Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares."

These amendments will allow the Company to pay dividends in accordance with the new position under the Corporations Act.

The Directors consider it appropriate to make these amendments to the Constitution to allow more flexibility in the payment of dividends to Shareholders.

8. ENQUIRIES

Shareholders are required to contact Ms Eloise von Puttkammer on (+ 61 8) 9380 9555 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice of Meeting.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company or **Cape Lambert** means Cape Lambert Resources Limited (ACN 095 047 920).

Constitution means the Company's existing constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Director Option means an Option granted pursuant to Resolutions 5 to 8 with the terms and conditions set out in Schedule B.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

Option means an option to acquire a Share with the terms and conditions set out in Schedule A.

Optionholder means a holder of an Option or Director Option as the context requires.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE A – TERMS AND CONDITIONS OF OPTIONS

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Options will expire at 5.00pm (WST) on 30 September 2011 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Option is 45 cents (**Exercise Price**).
 - (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (h) The Options are not transferable.
 - (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (j) The Company will not apply for quotation of the Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE B – DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Director Options will expire at 5.00pm (WST) on 30 September 2011 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Director Option is 45 cents (**Exercise Price**).
 - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
 - (h) The Director Options are not transferable.
 - (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
 - (j) The Company will not apply for quotation of the Director Options on ASX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
 - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
 - (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any

such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (m) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

SCHEDULE C - VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 5 to 8 (inclusive) have been valued by management using the theoretical Black & Scholes option model.

Based on the assumptions set out below, the Director Options have been ascribed a value as follows:

Assumptions:	
Valuation date	8 October 2010
Market price of Shares	43 cents
Exercise price	45 cents
Expiry date	30 September 2011
Risk free interest rate	4.91%
Volatility	70%
Indicative value per Director Option	11.68 cents
Total Value of Director Options	\$572,471
- Tony Sage	\$327,126
- Tim Turner	\$105,148
- Brian Maher	\$70,098
- Ross Levin	\$70,098

Note: The valuation noted above is not necessarily the market prices that the Director Options could be traded at and is not automatically the market price for taxation purposes.



Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 CFE
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

 For your vote to be effective it must be received by 9:00am (WST) Saturday 28 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report:

www.capelam.com.au

Update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com

Your secure access information is: SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Cape Lambert Resources Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Cape Lambert Resources Limited to be held at Function Centre, Kalis Bros Fish Market & Centre, 101 Oxford Street, Leederville, Western Australia on Tuesday, 30 November 2010 at 9:00am (WST) and at any adjournment of that meeting.

Important for Items 4 to 8: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 4 to 8 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 4 to 8 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of items 4 to 8 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Brian Maher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Reappointment of Director - Ross Levin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to Issue - Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Allocation of Options to Director - Tony Sage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Allocation of Options to Director - Tim Turner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Allocation of Options to Director - Brian Maher	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Allocation of Options to Director - Ross Levin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Amendment to Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____