

DRILLING TO INCREASE MINE LIFE UNDERWAY AT LEICHHARDT COPPER PROJECT

Key Points:

- **Diamond drilling has commenced at the Leichhardt Copper Project beneath the Mt Watson open pit;**
- **The diamond drilling is designed to assess the opportunity of treating the underlying transition ore through the existing copper cathode plant, thereby potentially adding mine life;**
- **Sonic drill testing of the Mt Cuthbert leach pads has been completed with copper recovery test work underway to assess the residual recoverable copper inventory, and consequently whether it is economic to recommence irrigating the heaps; and**
- **In the past 12 months, the spot price of copper has risen approximately 21%.**

Australian domiciled resources and investment company, Cape Lambert Resources Limited ("Cape Lambert" or the "Company") (**ASX: CFE**) is pleased to announce diamond drilling has commenced at its wholly owned Leichhardt copper project located approximately 100km north northeast of Mount Isa, Queensland ("Leichhardt Project" or "Project") (refer Figure 1).

The objective of the diamond drilling is to assess the opportunity of treating the underlying transition ore at the Mt Watson open pit (refer Figure 2) through the existing copper cathode plant.

In the past 12 months, the spot price of copper has risen approximately 21% (refer Figure 3).

Cape Lambert acquired the Leichhardt Project in August 2010 from Matrix Metals Limited (Receivers and Managers Appointed) (In Liquidation) ("Matrix"). The Leichhardt Project includes a heap leach, solvent extraction and electrowinning facility with an installed capacity of 9,000tpa of copper cathode (collectively "Copper Cathode Plant"). Furthermore, the Leichhardt Project also comprises the suspended Mt Watson open pit located approximately 30km north of the Copper Cathode Plant and a package of 43 granted tenements (covering approximately 850km²) and 11 exploration permit applications (covering 496km²). The Leichhardt Project is currently on care and maintenance

Prior to being placed into Administration in November 2008, Matrix partly exploited the oxide mineralisation at Mt Watson as feed to the Copper Cathode Plant. Although, initial metallurgical test work on the underlying transitional mineralisation to determine its heap leach recovery showed it could potentially be treated through the Copper Cathode Plant, it was incomplete at the time Matrix was placed into Administration. Consequently, and in addition to the remaining oxide mineralisation at Mt Watson, Cape Lambert considers that there is an opportunity to define an additional quantity of heap leach recoverable copper from

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
571,849,603

Unlisted Options
7,850,000 (\$0.45 exp 30 Sep 2011)

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
Sappes Gold Project
African Iron Limited
International Goldfields Limited

Cape Lambert Contact

Tony Sage
Executive Chairman

Eloise von Puttkammer
Investor Relations

Phone: +61 8 9380 9555
Email: info@capelam.com.au

Australian Enquiries

Professional Public Relations
David Tasker
Phone: +61 8 9388 0944
Mobile: +61 433 112 936
Email: david.tasker@ppr.com.au

UK Enquiries

Tavistock Communications
Emily Fenton / Jos Simson
Phone: +44 (0)207 920 3150
Mobile: +44 (0)7899 870 450

Cape Lambert Resources Limited ABN 71 095 047 920

Corporate - 18 Oxford Close, Leederville WA 6007 Projects - Level 1, 2 Ord Street, West Perth WA 6005

United Kingdom - 14 Golden Square, London W1F 9JG

www.capelam.com.au

this transition zone, thereby providing additional feed to the Copper Cathode Plant and mine life.

To determine the metallurgical characteristics of the transitional material, the current diamond drilling program is large diameter PQ core (85mm) designed to provide sufficient material for detailed metallurgical test work, including column leach tests. The drilling has also been designed to allow an upgrade in resource classification and the determination of an Ore Reserve from the transitional ore zone at Mt Watson.

The current Mt Watson Mineral Resource above a 0.6% copper cut-off reported in accordance with JORC Code (2004) guidelines is summarised in the following table:

Copper Resource Inventory								
Deposit	Measured		Indicated		Inferred		Total	
	Mt	% Cu	Mt	% Cu	Mt	% Cu	Mt	% Cu
Mt Watson Oxide and Transition and Primary Zone								
Mt Watson Oxide	1,875	1	1,102	0.9	309	0.8	3,285	0.9
Mt Watson Transitional	694	0.9	1,463	0.8	492	0.8	2,650	0.8
Mt Watson Primary	0	0	0	0	2,151	0.9	2,151	0.9
Total	2,569	0.9	2,565	0.8	2,952	0.8	8,086	0.8

Note: Mineral Resources as stated by Matrix Metals 2008 Annual Report Cut-off grade is 0.6% Cu.

In addition, Cape Lambert has completed drill testing the existing nine heap leach pads at Mt Cuthbert (refer Figure 4). A total of 261 sonic drill holes were completed for 2,736m. The drilling was carried out to provide undisturbed leach pad samples, which have been submitted for metallurgical test work to determine the residual recoverable copper inventory within the leach pads and consequently whether it is economic to recommence irrigating the heaps.

Cape Lambert Executive Chairman, Mr Tony Sage said, "the transition mineralisation at Mt Watson provides an excellent opportunity to define a significant amount of heap leach recoverable copper. This combined with the existing plant and the copper still sitting in the leach pads could potentially allow for a rapid restart of operations at the Leichhardt Project, at this time of record spot copper prices."

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

Competent Person

The contents of this announcement relating to exploration results and mineral resources are based on information compiled by Ms Marlene Kelly, a Member of the Australasian Institute of Geoscientists. Ms Kelly is a geological consultant to Cape Lambert Resources Ltd and has sufficient experience relevant to the styles 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". Ms Kelly consents to the inclusion in this announcement of the matters compiled by him in the form and context in which they appear.

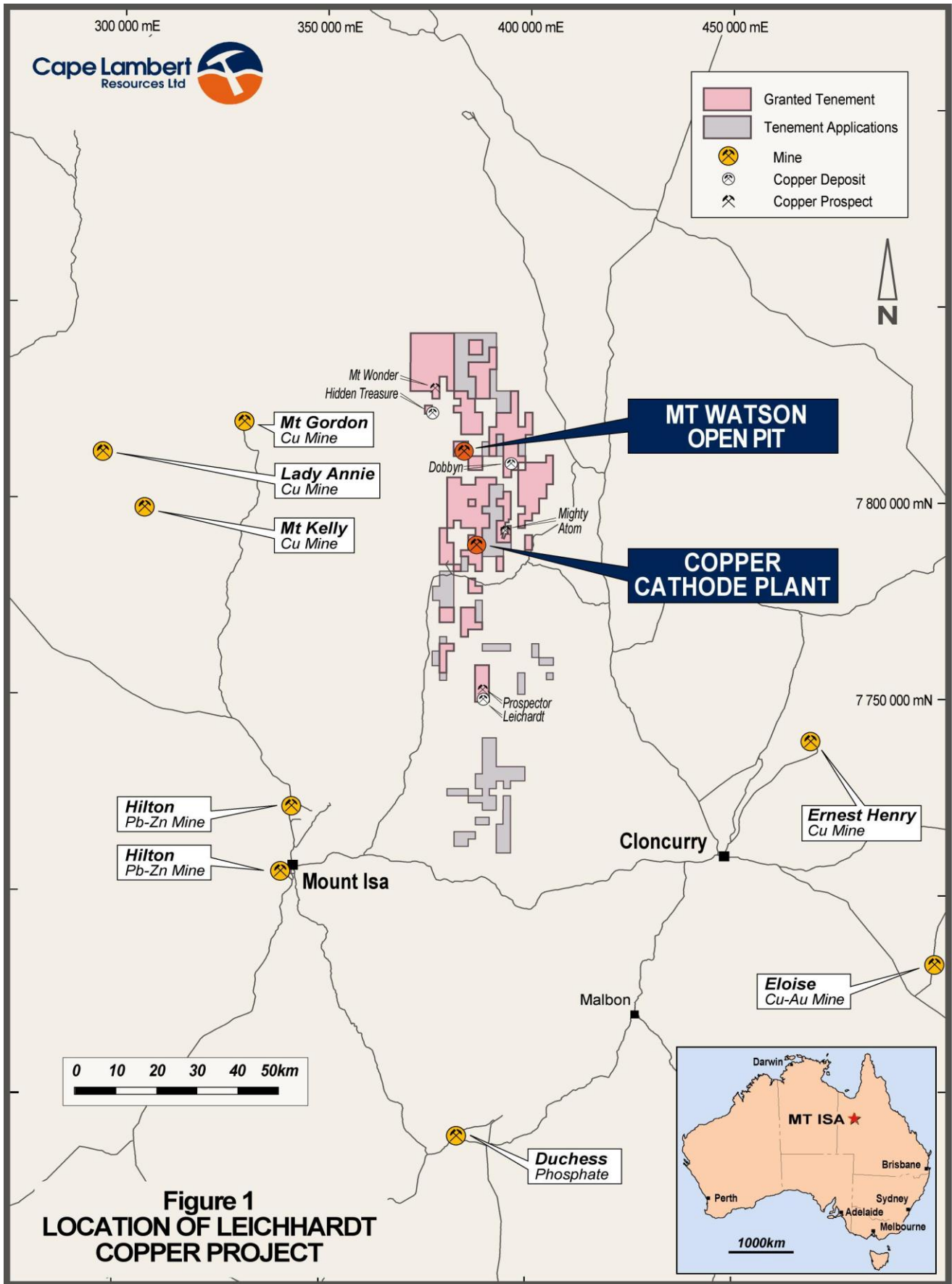


Figure 1
LOCATION OF LEICHHARDT
COPPER PROJECT



