

29 July 2011

QUARTERLY REPORT– 30 JUNE 2011

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 30 June 2011.

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
626,399,603

Unlisted Options
7,750,000 (\$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

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HIGHLIGHTS

Corporate

- At 30 June 2011, the Company had approximately \$43 million in cash at bank.
- The Company increased its interest in Pinnacle Group Assets Limited to 90.2%.

Projects

Marampa Iron Ore Project

- Mineral Resource increased by 245% to 680Mt covering the Matukia, Gafal, Mafuri and Rotret prospects. Includes 38% in the Indicated category. This resource update meets the objective of establishing a mineral inventory sufficient to support a production profile of more than 20 years.
- Scoping Study update to up-scale Marampa to 10Mtpa of hematite concentrate production is scheduled for completion in the September quarter 2011. Preliminary findings include:
 - Locked Cycle metallurgical test results of run-of-mine grade fresh material from the Matukia and Gafal deposits shows high-grade hematite concentrates low in deleterious elements can be produced with high mass and iron recoveries of 44% and 93% respectively;
 - Testing of the soft, near surface, high-grade oxide material from the Rotret deposit using wet scrubbing and WHIMS produces a concentrate grade of 67% Fe with high mass and iron recoveries of 58% and 96% respectively.
 - Comminution test work on fresh material indicate power requirements lower than assumed in the 5Mtpa Scoping Study;

Pinnacle Group Assets (Kukuna and Sandenia Projects)

- Several hematite schist drill targets defined at Kukuna and scout drilling commenced on 14 July 2011.
- Detailed prospect mapping completed on the two priority targets at Sandenia. Scout drilling is planned to commence in the September 2011 quarter when rigs are mobilised.

Rokel Iron Ore Project

- High resolution airborne magnetic survey completed over 3,000km² tenement package.
- Ground geophysics and mapping define drill targets over 8km of strike at Kumrabai prospect located <10km east of Marampa.

Sappes Gold Project

- Preliminary Environmental Impact Study submitted in December 2010 is being reviewed by the Ministry of Environment.
- Recent positive news in the Greek gold sector has been the approval of the Environmental Impact Study for European Goldfields Limited's Greek assets by the relevant authorities.

Leichhardt Copper Project

- Sampling completed and metallurgical test work underway to investigate heap leach characteristics of Mt Watson transitional copper mineralisation and residual leachable copper from Mt Cuthbert heap leach pads.
- Ground exploration commenced at the Mt Wonder and Prospector targets to test for new oxide and sulphide copper mineralisation.

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 and vanadium 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.

Equity Investments and Divestments

Pinnacle Group Assets Limited (“Pinnacle”)

In May 2011, the Company elected to convert funds advanced to Pinnacle up to 31 March 2011 into shares, resulting in Cape Lambert’s interest in Pinnacle increasing from 46.1% to 47.4%.

On 15 June 2011, Cape Lambert completed the acquisition of a further 42.8% interest in Pinnacle (increasing its interest to 90.2%) from those Pinnacle shareholders who accepted Cape Lambert’s offer to acquire their shares for a consideration of \$1.10 per share. Contemporaneous with the acquisition of the additional interest in Pinnacle, the board of Pinnacle was replaced with Cape Lambert nominees.

The consideration paid at settlement for the additional 42.8% of Pinnacle comprised:

- \$32,670,000 through the issue of 54,450,000 Cape Lambert shares (“Shares”) at a deemed price of \$0.60 per Share, which was at a 40% premium to the closing Share price of \$0.43 on 15 June 2011; and
- \$16,335,000 paid in cash.

A further \$16,335,000 is payable in cash on or before 31 December 2011.

Facilities

Fe Limited

Cape Lambert entered into a \$2,000,000 loan standby facility agreement (“Facility”) with Fe Limited. Cape Lambert is a substantial shareholder in Fe Limited and currently holds a 19.9% interest.

Pursuant to the terms of the Facility, Fe Limited will have access to \$2,000,000, and any amounts drawn down will be repayable in full 18 months from the date of execution of the Facility agreement. Interest is payable on the amounts drawn down under the Facility at the cash rate plus 3%. Any funds received by Fe Limited from sales of assets or capital raisings must, if required by the Company, first be used to reduce funds drawn down under the Facility.

Amounts drawn down under the Facility will be used by Fe Limited to fund exploration expenditure and working capital.

Chameleon Mining

A strategic alliance was entered into with Chameleon Mining NL (ASX: CHM) ("Chameleon") in August 2010. As part of the alliance, Cape Lambert is entitled to a share of any judgement sum received by Chameleon arising out of, or in connection with, the Federal Court proceedings relating to Murchison Metals Ltd ("Murchison") and the ownership of the producing Jack Hills iron ore project.

On 3 June 2011, the New South Wales Supreme Court of Appeal made orders upholding Chameleon's appeal against International Partners Pte Ltd ("IPL"). The Court confirmed Chameleon's claim that IPL required an Australian Financial Services Licence to fund Chameleon's litigation, and therefore Chameleon was entitled to rescind its agreement with IPL and was not obligated to pay IPL an early termination fee (of approximately \$9,000,000), and has awarded damages in favour of Chameleon (to be assessed).

The Company had previously provided a loan facility of \$6,500,000 to Chameleon, which may be drawn down should the funds be needed to pay IPL. The loan has been repaid to the Company as a consequence of the outcome of Chameleon's appeal against IPL.

Chameleon continues to press forward in its efforts to take an account of profits in respect of the judgement against Grimaldi (a director of Murchison at the time of the action) and progressing the procedural timetable for the pending appeal against Murchison.

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 in mid-2008. Cape Lambert received payments totalling \$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. Cape Lambert has retained the services of Martin Bennett to act on its behalf and institute legal proceedings, 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 and Chamber Summonses heard on 23 November 2010 and 22 June 2011. The Company is waiting on a decision by the Supreme Court regarding the jurisdiction of where the dispute will be determined and the requirement of MCC to pay \$80 million into a trust account pending the resolution of the action. Whilst the proceedings are still continuing, Cape Lambert remains confident that it will be successful in establishing that the final payment is due and payable by MCC.

PROJECTS

Marampa Iron Ore Project (100%) (“Marampa”)

Marampa is a brownfields hematite iron ore project at feasibility assessment stage and is located 90km northeast of Freetown, Sierra Leone, West Africa (refer Figure 2). Marampa comprises a granted exploration licence (EXPL09/06 “Lunsar”, 305km²) held by Marampa Iron Ore (SL) Limited, indirectly a wholly owned subsidiary of Cape Lambert.

Seven prospects hosting hematite schist mineralisation have been identified within the Marampa licence (refer Figure 3). The Company’s objectives for the first half of 2011 at Marampa were to:

- define a mineral resource inventory sufficient for >20 years production of high quality hematite concentrate, and
- investigate and document the technical and economic requirements (“Scoping Study”) to establish a standalone, open pit mining, wet high intensity magnetic separation (“WHIMS”) concentrator and all supporting and transport infrastructure to produce 5 million tonnes per annum (“Mtpa”) (upgradeable to 10Mtpa) of high grade (>65% Fe) hematite concentrate.

This work will underpin completion of a bankable feasibility study and obtaining the permits required to develop Marampa.

Drilling

A total of 2,552 metres of diamond drilling in 17 holes and 9,463 metres of reverse circulation (“RC”) drilling in 79 holes was completed largely at the Rotret and Mafuri prospects during the quarter. Resource drilling at Marampa ceased during June 2011, upon achievement of the resource hurdle required for the project.

As at 30 June 2011, a total of 48,622 metres of diamond and RC drilling has been completed at Marampa comprising resource definition drilling at Matukia, Gafal West, Mafuri and Rotret, and initial drilling at the Petifu and Makambo prospects (refer Figure 3).

Resource Estimate

The update of the Marampa resource estimate was completed during the quarter based on drilling completed during the period 1 October 2010 to 31 May 2011. The updated total Indicated and Inferred Mineral Resource is 680Mt at 28.2% Fe (refer Table 1) representing an increase of 245% over the maiden Mineral Resource announced in November 2010. The updated Mineral Resource includes 38% in the Indicated category. The resource estimate update was completed by independent consultants, Golder Associates Pty Ltd in Perth, Australia in accordance with the 2004 JORC guidelines.

The resource covers approximately 60% of the known mineralised strike with further exploration upside remaining for resource growth. Maiden resources were estimated for the Mafuri and Rotret deposits and resource updates incorporating extension and infill drilling were estimated for the Gafal and Matukia deposits. The updated Mineral Resource estimates support a production profile of more than 20 years at a rate of 10 Mtpa of hematite concentrate.

Table 1: Mineral Resources at Marampa above a 15% Fe cut-off grade

Category	Tonnes	Grade %					
	millions	Fe	SiO ₂	Al ₂ O ₃	P	S	LOI
Indicated	261	28.7	43.0	5.4	0.14	0.00	2.70
Inferred	419	27.9	44.6	6.4	0.16	0.01	2.58
Total	680	28.2	44.0	6.0	0.15	0.00	2.62

Scoping Study Update

During the March 2011 quarter, the Company completed a Scoping Study that examined a standalone, open pit mining development at Marampa producing 5Mtpa of hematite concentrate. This study was based on mineral resources defined at the Gafal West and Matukia deposits. The Scoping Study concluded that a robust operation could be established at Marampa with an initial capital investment of US\$655 million to produce 5Mtpa of 65% Fe concentrate delivering a pre-tax NPV_(8%) of US\$715 million at a FoB iron ore sale price of US\$100/dmt.

Based on these positive results, the Company commenced further detailed technical and environmental work to optimise the design criteria, and operating and capital costs required to increase the scale of Marampa to produce 10Mtpa of hematite concentrate.

The updated 10Mtpa Scoping Study is being prepared by Bateman Engineering Pty Ltd (“Bateman”) with contributions from several specialist consultants. This update will be based on the mineral inventory now defined at the Gafal, Matukia, Mafuri and Rotret deposits and is scheduled to be completed in the September 2011 quarter.

Marampa Rail and Port Infrastructure

Marampa is connected to the stockpiling and ship loading facility at Pepel Port via the 84km Marampa railway (“Marampa Infrastructure”). African Minerals Limited (“African Minerals”) has a 99 year lease for the operation of, and is currently refurbishing, the Marampa Infrastructure and will construct a new port at Tagrin and a rail network linking Tagrin and Tonkolili (collectively “Transport Infrastructure”).

African Minerals has granted the Company access to the Transport Infrastructure to export 5Mtpa of iron ore, under the following terms (refer ASX Announcement dated 31 January 2011):

- African Minerals will provide third party access rights on commercial terms to transport up to 2Mtpa of iron ore production from the Company’s Marampa mine on the Marampa Infrastructure; and
- Cape Lambert will have an option to increase this transport capacity to 5Mtpa once African Minerals’ new Tagrin facilities are in full operation.

Egis International (“Egis”) was engaged to undertake a conceptual study on a stand-alone transshipping port, suitable for exporting 10Mtpa of concentrate as a potential complement or commercial alternative to the Transport Infrastructure. Egis visited Sierra Leone late in the quarter to investigate potential port locations.

Metallurgy

The metallurgical test work program being managed by Bateman, continued with further tests on fresh and oxide mineralisation.

Representative bulk samples of fresh ore from the Matukia and Gafal West deposits have been subjected to full Locked Cycle Testing (“LCT”) using a refined version of the Wet High Intensity Magnetic Separation (“WHIMS”) process flowsheet developed for the 5Mtpa Scoping Study. Results of the LCT have shown that high-grade iron concentrates low in deleterious elements can be produced from Marampa with iron recoveries exceeding 90% at a coarse grind size of an 80% passing size of 180 micrometres or μm (refer Table 2).

A composite sample of soft, shallow high-grade oxide material from the Rotret deposit at Marampa was subject to wet scrubbing followed by WHIMS, LCT in accordance with the process flowsheet developed in the 5Mtpa Scoping Study. No grinding of the composite sample was required, meaning that concentrate produced from this material will be at a lower operating cost than processing fresh ore.

LCT of this oxide material has confirmed that high iron recoveries and mass yields are achievable whilst maintaining a concentrate iron grade of 67% Fe with low levels of deleterious elements (refer Table 2).

Table 2 - Metallurgical Test Work Results

Deposit (ore type)	Feed Grade % Fe	Concentrate Grade					Mass Recovery %	Iron Recovery %
		Fe %	SiO ₂ %	Al ₂ O ₃ %	S %	P %		
Matukia (Fresh)	31.9	64.7	3.2	1.0	0.000	0.012	46	94
Gafal West (Fresh)	28.3	62.9	4.7	1.4	0.001	0.011	42	93
Rotret (Oxide)	40.4	67.1	1.6	1.1	0.02	0.004	58	96

Results from comminution testing on fresh material carried out by JK Tech Pty Ltd indicate that the power requirements for the comminution plant will be less than was assumed in the 5Mtpa Scoping Study.

Environmental and Social Impact Assessment

Work on inputs for the Environmental and Social Impact Assessment (“ESIA”) required for Marampa permitting continued during the quarter. This included:

- Ecorex Consulting Ecologists finalising an ecological study;
- Nexus Heritage finalising a cultural heritage study; and
- SRK Consulting (“SRK”) continuing soil geochemistry, noise, air quality and social consultation studies.

Exploration

Processing of the Induced Polarisation (“IP”) geophysical survey data from the Toma prospect was completed by independent geophysical consultant, Core Geophysics of Perth, Australia. Geological mapping in 2009 had located some occurrences of hematite schist in this area. A total of 10 line kilometres of IP data over five traverses was acquired by SAGAX Afrique in March 2011. The survey data has defined four coincident resistivity/chargeability anomalies at Toma with an aggregate strike length of 3-4km that warrant drill testing.

Pinnacle (90.2% interest)

Pinnacle's principal assets are two early stage iron ore projects 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 68km² ("Kukuna Project") (refer Figure 2). The licence is located 70km due north of the Transport Infrastructure.

The Kukuna licence contains rocks correlated with the Marampa Group, which host the specular hematite schist iron mineralisation at Marampa. The objective of exploration at Kukuna is to discover and define sufficient hematite schist mineralisation to support a standalone mining operation similar to Marampa.

The licence is extensively covered by laterite, alluvium and vegetation. Initial exploration comprising geological mapping, trenching and ground IP geophysical surveys has been completed and defined several drill targets under cover.

Follow-up trenching and scout diamond drilling to test these targets has commenced.

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 608km² ("Sandenia" or "Sandenia Project") (refer Figure 2). The Sandenia permits contain rocks of Archean age that are prospective for iron mineralisation, which are similar to the host rocks that contain the 3.7Bt Kalia deposit owned by Bellzone Mining plc located on the adjacent permit to the north (refer Figure 2).

Regional mapping and sampling completed by SRK early in 2011 identified seven exploration targets over an aggregate strike length of >20km containing weathered and fresh magnetite Banded Iron Formation ("BIF") and confirmed in-situ iron grades of up to 48.5%.

Detailed prospect mapping was completed on the priority targets at Sandenia and Sandenia East during the quarter to define drill targets. Scout diamond drilling is planned to commence at these prospects in the September 2011 quarter, subject to drill rig availability.

Rokel Iron Ore Project (100%)

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds a land package of granted licences and applications in Sierra Leone totalling approximately 3,000km², covering the region 70km to the north and south of Marampa. This land package is referred to as the Rokel Iron Ore Project ("Rokel" or "Rokel Project") and is prospective for the discovery of hematite schists deposits similar to the deposits at Marampa (0.7Bt JORC Resource) and the 1Bt Marampa Mine owned by London Mining plc (refer Figure 2).

Three historical occurrences of specular hematite schist have been recorded on the Rokel Project approximately 30-40km to the northwest and northeast of Lunsar, and another 8km northeast of Lunsar (referred to as the Kumrabai prospect).

Contractor NRG Exploration completed a high resolution magnetic and radiometric airborne survey over the Rokel Project tenements during the quarter. The survey totalled 17,040 line kilometres on 200m line spacings. The survey data is currently being processed and interpreted by independent, geophysics consultants Core Geophysics with a final report to be completed in the September 2011 quarter.

Interpretation of the ground IP geophysical survey data collected in the March 2011 quarter over the Kumrabai prospect east of Marampa was completed by Core Geophysics. This identified four linear, high intensity, coincident conductive/chargeable anomalies over an 8km long zone striking to the north. Occurrences of specular hematite clasts in laterite cover were also noted along this zone during the geophysical survey. The IP anomalies possibly represent one or two units of hematite schist located under surficial laterite cover.

Regional geological mapping and sampling of the known occurrences, including the Kumrabai anomalies, will be undertaken during the second half of 2011.

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 20.1km² mining lease granted until 2023 (refer Figure 4). The Company’s strategy is to progress the permitting of Sappes, to enable its sale with a significant portion of the pre-permitting discount removed.

Sappes’ development is based around the high-grade, underground Viper deposit and an open pit nearby at the St Demetrios deposit.

The Company has its local office in the town of Sappes, and has commenced a socialisation program in respect of project development with the local community and government authorities.

The Preliminary Environmental Impact Study (“PEIS”) submitted in December 2010 is being reviewed by the Ministry of Environment, Energy and Climate Change (“MEECC”).

In early July 2011, European Goldfields Limited (AIM and TSE: EGU) announced that the MEECC had approved the Environmental Impact Study for the development of its Greek Assets. This augers well for Sappes with its PEIS currently being considered by the same Ministry.

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

Australis holds a portfolio of mineral rights, tenements and subsidiaries (refer Figure 5), which presently comprise:

- 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”);
- 11 granted Exploration Licences totalling 7,520km² in the east of the Northern Territory prospective for rock phosphate;
- 3 Granted Exploration Licences totalling 2,500km² and 11 applications for Exploration Permits totalling 5,191km² in north west Queensland prospective for rock phosphate, and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted Exploration Permits (“Mojo Project” or “Mojo”) totalling 3,609km², located 150km south of Mt Isa prospective for large Mt Isa style base metal deposits under younger cover rocks.

Compilation and interpretation of available historical data has outlined five grassroots rock phosphate targets on the Northern Territory licences. These lie along the northern margin of the Georgina Basin and on a basement high, approximately 50km to the north of the Wonarah rock phosphate project owned by

Minemakers Limited. Field reconnaissance of these targets has been delayed due to the extended rainy season and is planned to be undertaken during the September quarter 2011.

The Mojo Project licences cover the projected southern extension of the Mt Isa Inlier under younger cover rocks. A geophysical assessment completed in 2010 defined three main target areas where the depth to the prospective Mt Isa Inlier basement is approximately 200-500m. A high resolution ground gravity geophysical survey, to more accurately delineate the depth to basement, is scheduled to commence in August 2011.

Leichhardt Copper Project (100%) (“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 (refer Figure 6) and comprises:

- the Leichhardt process plant at Mt Cuthbert; a heap leach, solvent extraction and electrowinning facility with installed capacity of 9,000 tonnes per annum of copper cathode,
- a package of 43 granted tenements (approximately 850km²) and 11 applications for Exploration Permits (500km²),
- the established Mt Watson open pit located approximately 30km north of the Leichhardt process plant, and
- a mineral resource inventory of oxide, transition and primary copper at the Leichhardt, Mighty Atom, Hidden Treasure, Ned Kelly and Mt Cuthbert deposits¹, and several targets including Mt Wonder, Mt Earl and Prospector that are prospective for oxide and primary copper deposits.

Mineral Inventory and Metallurgical Test Work

A program of drilling and metallurgical test work commenced earlier in 2011, to investigate the leachability of the in-situ transitional mineral resource inventory at the Mt Watson open pit, and the leachable copper remaining in the leach pads at Mt Cuthbert.

Metallurgical diamond drilling of the transitional copper resource within the Mt Watson West Pit (six holes for 471.6m) was completed during April, and has provided sufficient material to conduct column test work. The diamond core samples are currently being tested by HRL Testing Pty Ltd in Brisbane. The work program underway includes head assay, physical property testing and column tests for evaluation of heap leach characteristics and copper recovery.

Samples from the sonic drilling program completed over the Mt Cuthbert leach pads in March-April 2011 are currently being processed at Amdel's Metallurgical Laboratory in Perth. Work being undertaken includes in-situ bulk density determination, head assay and copper leach tests.

Regional Exploration

Commencing in the March 2011 quarter, the Company has continued work to identify, prioritise and test prospects and targets to increase the oxide and primary copper mineral inventories at Leichhardt. Historical exploration data coverage and ground exploration on the Leichhardt tenements is incomplete and fragmentary. A high resolution airborne geophysical survey will be flown over the entire project area during the September 2011 quarter.

Exploration commenced at two priority targets identified at Mt Wonder and Prospector.

The Mt Wonder prospect is located 17km north of Mt Watson (refer Figure 6). Scout exploration drilling in 2005 intersected encouraging oxide copper mineralisation within the lower siltstone members of the Surprise Creek Formation, which is in a similar position to the Mt Watson oxide copper deposit.

¹ Refer Matrix Metals Limited, 2008 Annual Report lodged with ASX on 28th October 2008 for details

A program of soil geochemical sampling was completed during the quarter over Mt Wonder to define the extents of the copper mineralisation. A total of 229 soil samples were collected on a 50m grid. This survey has defined a northwest trending copper-in-soil anomaly (>150ppm Cu, peak 4,850ppm Cu) over an area of 1,000m by 250m within Surprise Creek Formation. Follow-up mapping has commenced and a sub-audio magnetic ground geophysical survey is planned to define priority drill targets.

The Prospector prospect is located 38km south of Mt Cuthbert (refer Figure 6) and comprises a series of copper in soil geochemical anomalies and nine airborne time-domain electromagnetic ("VTEM") anomalies, which have been only partially tested. Previous exploration drilling at Prospector returned significant results² including 23m at 1.21% Cu from 11m in drill hole P2RC-001 and 3m at 1.86% Cu from 132m in drill hole P2RC-008 (lower cut-off of 0.3% Cu). Work to define drill targets including VTEM modelling and geological mapping has commenced.

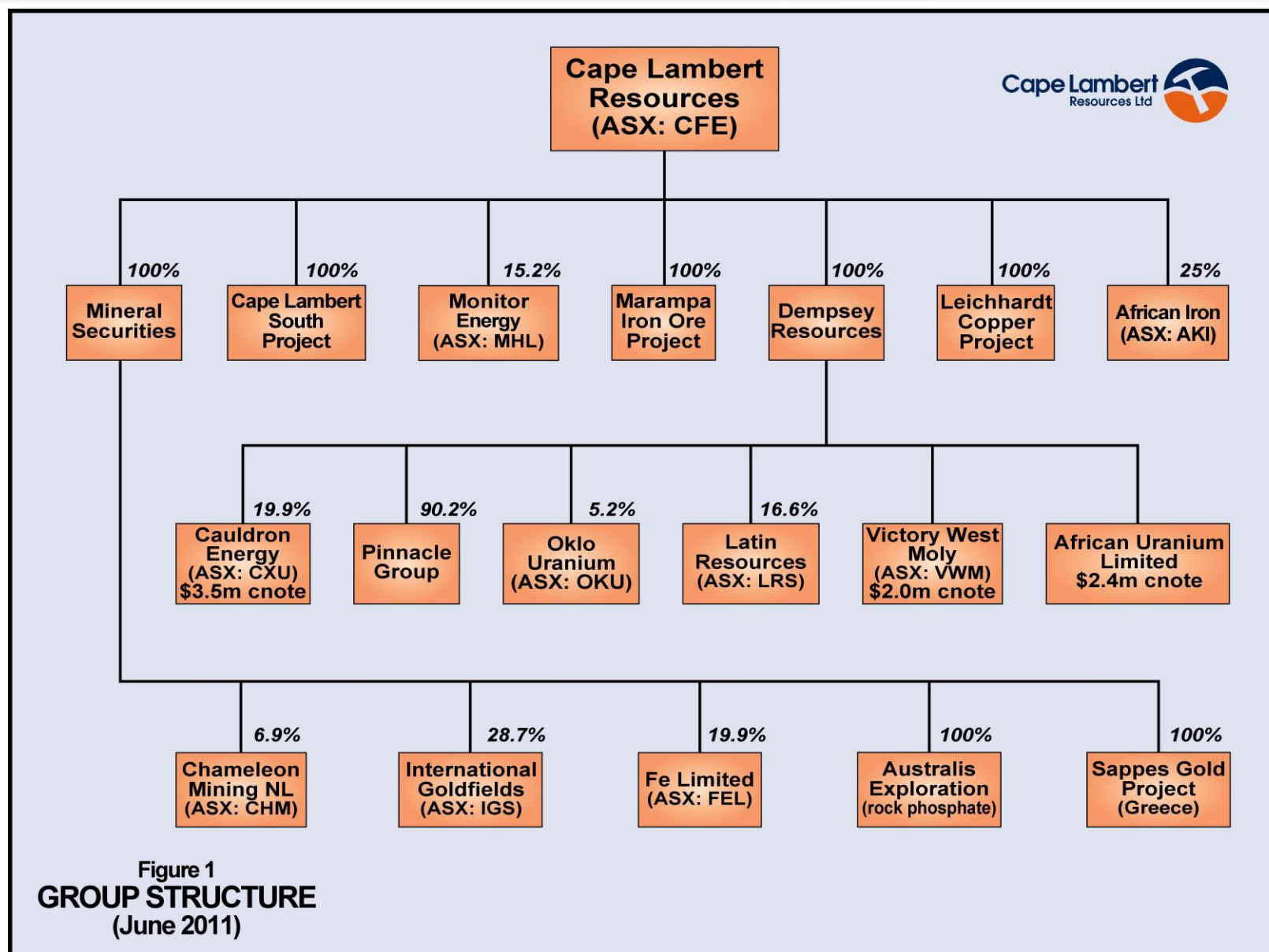
Competent Person:

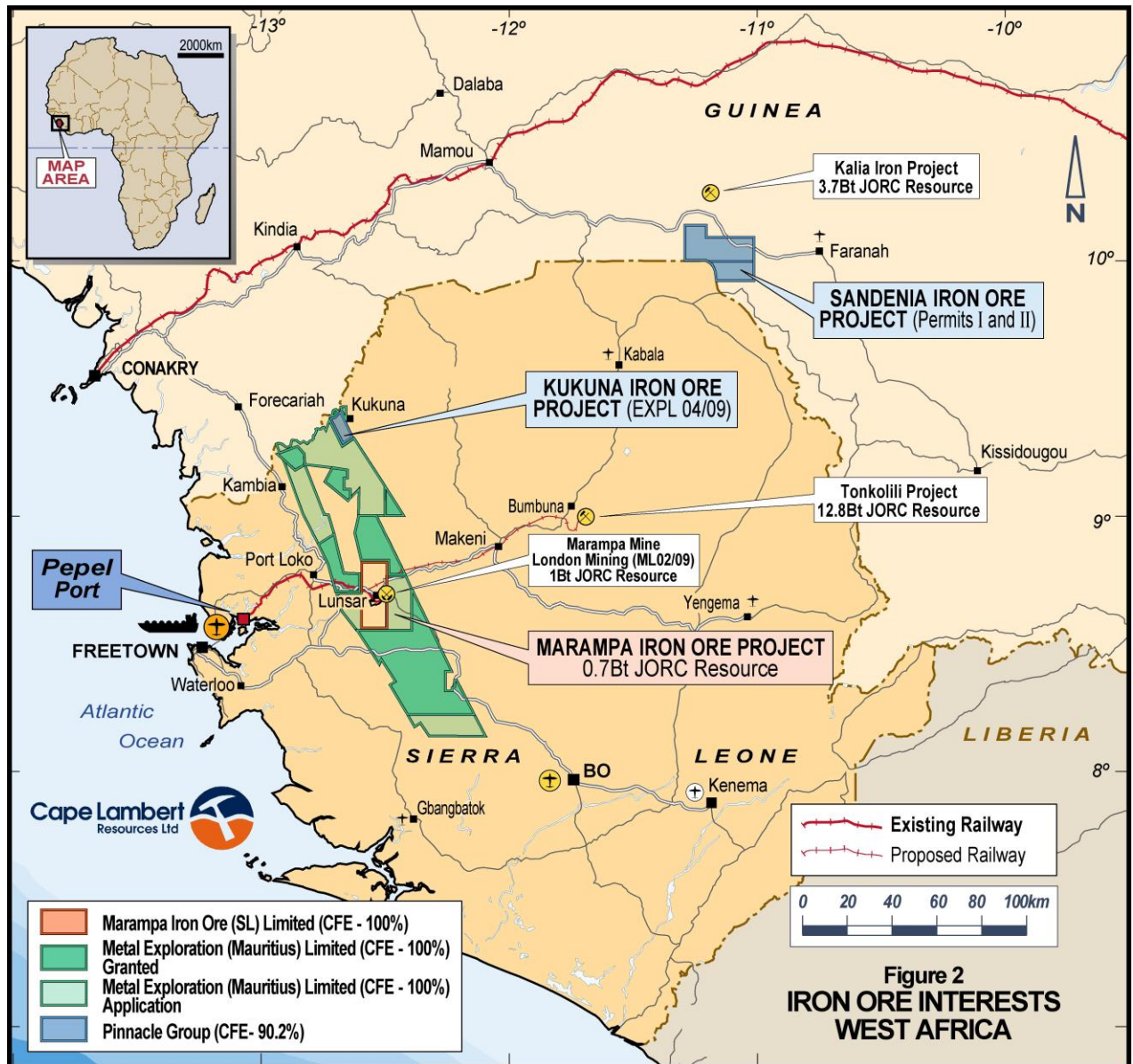
The contents of this report relating to Exploration Results, Mineral Resources and Ore Reserves are based on information compiled by Kim Bischoff, a Member of the Australasian Institute of Mining and Metallurgy. Mr Bischoff is a consultant to Cape Lambert and has sufficient experience relevant to the 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 Bischoff consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

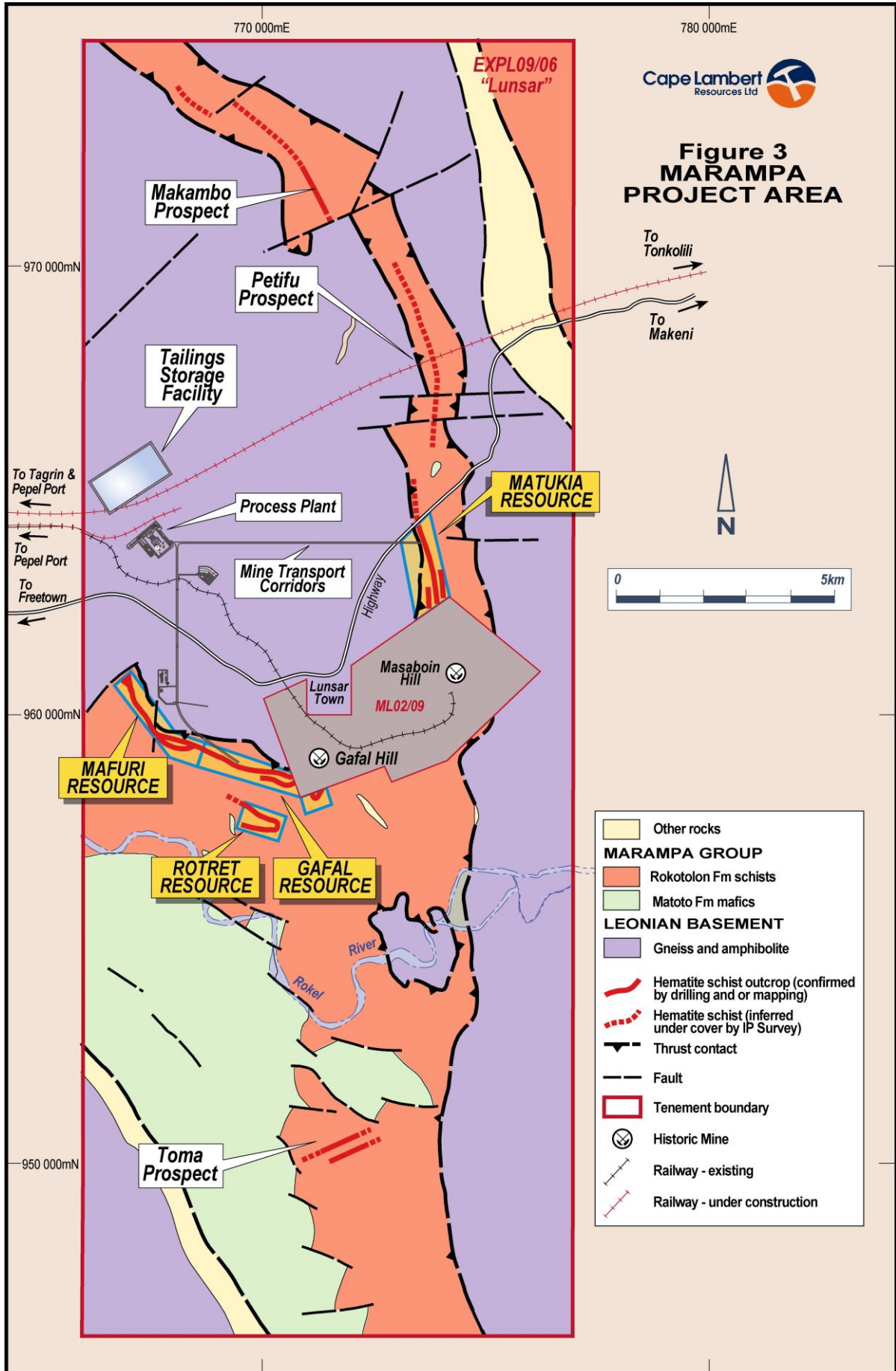
Competent Person:

The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr G V Ariti, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ariti 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 Ariti consents to the inclusion in this report of the information in the form and context in which it appears.

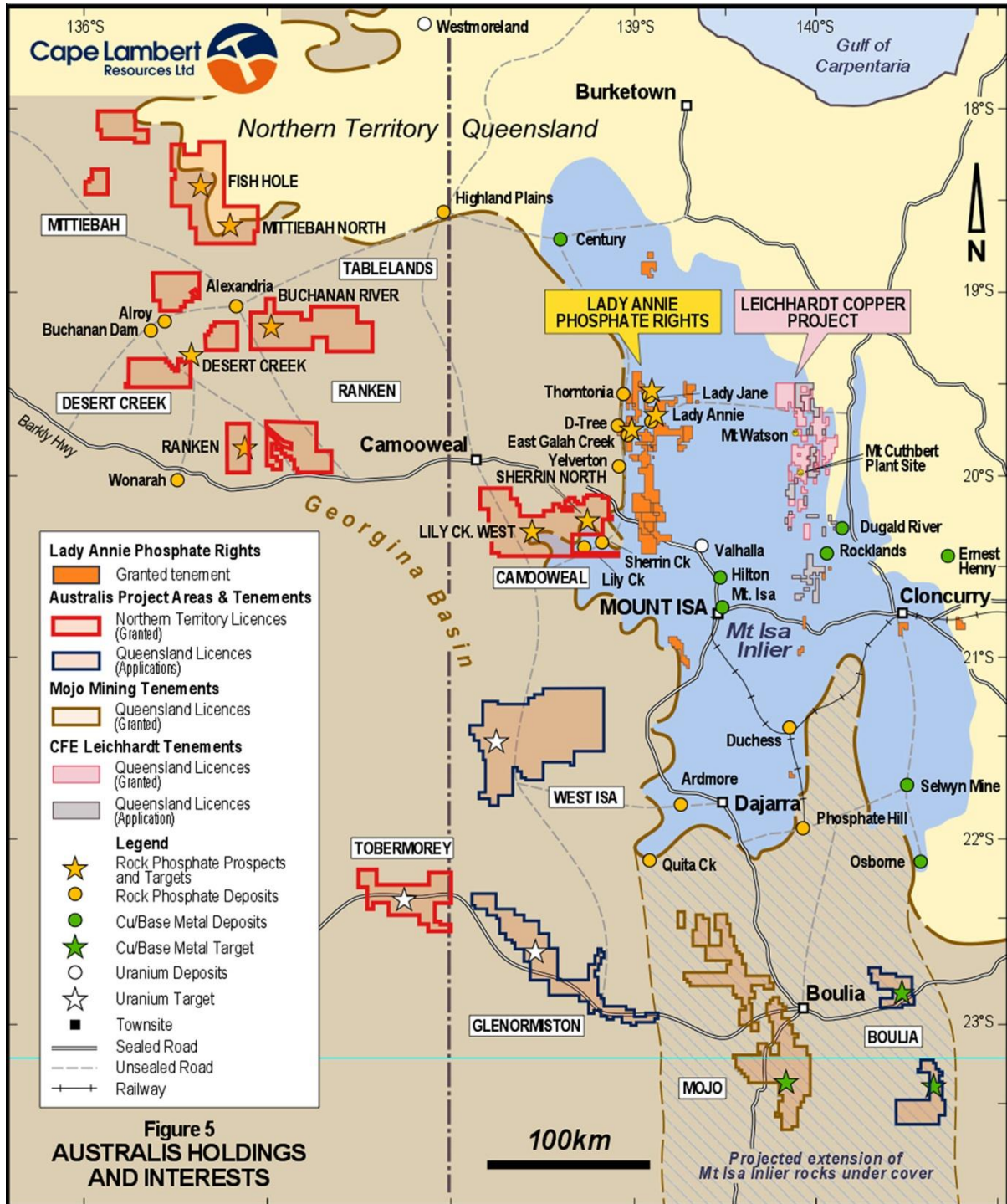
² Refer Matrix Metals ASX Announcement dated 22 July 2008 for details.

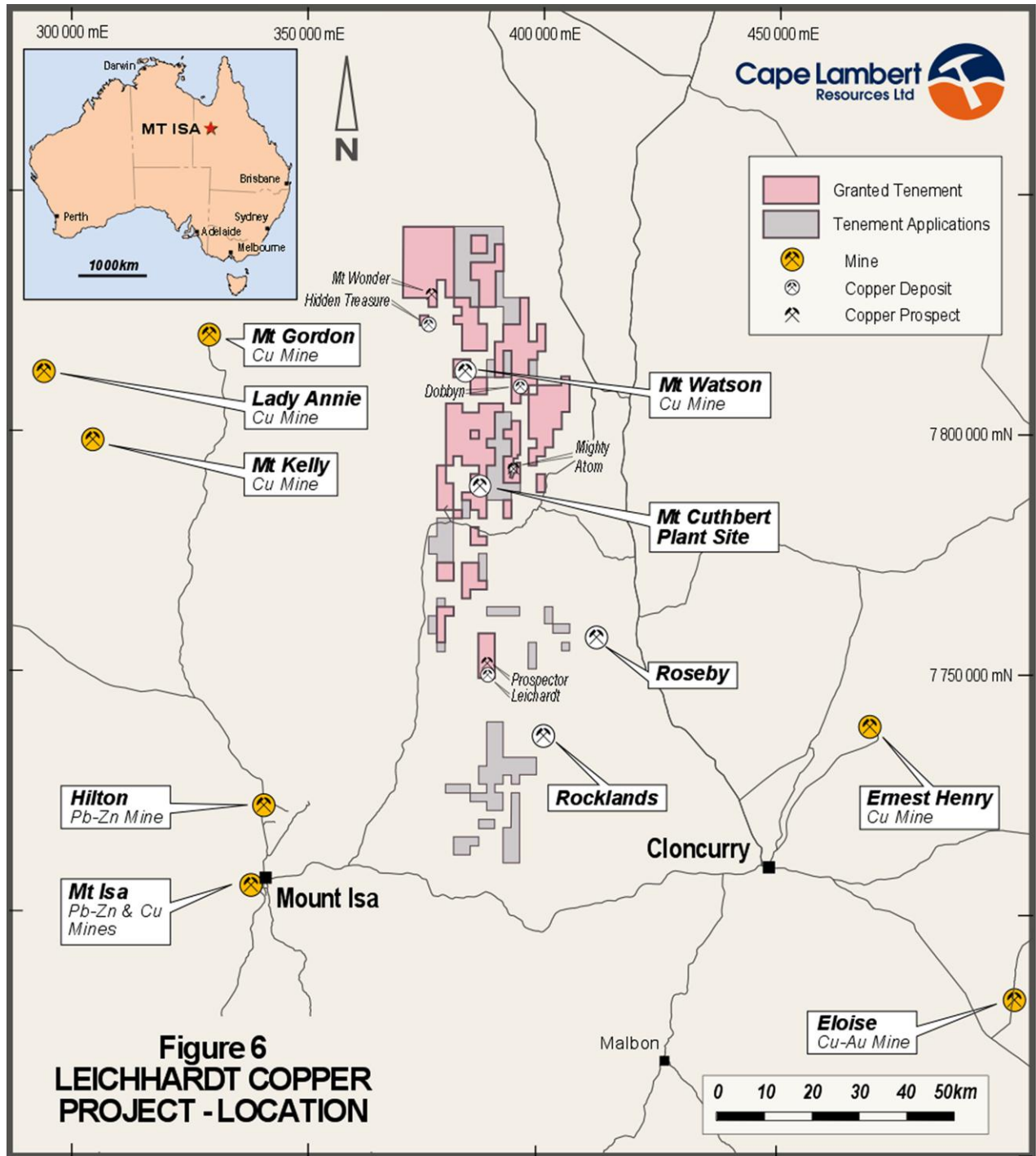












Appendix 5B

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 June 2011

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(9,400)	(23,299)
(b) development	-	-
(c) production & care & maintenance costs	-	-
(d) administration	(2,299)	(13,126)
1.3 Dividends received	-	-
1.4 Interest and similar items received	675	3,902
1.5 Interest and other costs of finance paid	(1)	(8)
1.6 Income taxes paid	-	(1,612)
1.7 Other	-	-
Net Operating Cash Flows	(11,025)	(34,143)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects (Leichhardt Copper Project)	-	(6,651)
(b) equity investments	(2,138)	(15,008)
(c) other fixed assets	(794)	(1,388)
(d) controlled entity	(16,335)	(16,335)
1.9 Proceeds from sale of:		
(a) prospects	-	30,000
(b) equity investments	1,104	12,293
(c) other fixed assets	-	-
(d) controlled entities	-	47,000
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	3,663

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to investing activities (continued)		
1.12 Other: Payments pursuant to takeover offer	-	(32,368)
Other: Proceeds from sale of interest in associate	-	13,639
Other: Payment for investment in associate	(550)	(14,631)
Other: Payment for convertible notes	-	(2,000)
Other: Repayment of convertible notes	-	5,740
Other: Cash backing security provided for performance / other bonds & bank guarantees	-	(3,921)
Other: Cash backing security for performance / other bonds & bank guarantees released	1,552	1,730
Other: Loan to associate	(99)	(2,937)
Other: Loan to related entity	-	(3,994)
Other: Repayment of loan from related entity	-	3,935
Other: Repayment of transitional funding	984	984
Other: Provision of loan facility	-	(6,500)
Other: Repayment of loan facility	-	6,500
Other: non-refundable deposits	-	250
Other: cash balances disposed on sale of subsidiary company	-	(290)
Other: Payment of transaction related costs	(141)	(2,358)
Net investing cash flows	(16,417)	17,353
1.13 Total operating and investing cash flows (carried forward)	(27,442)	(16,790)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	68
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	(43,803)
1.19 Other: share buy back	-	(31,922)
Net financing cash flows	-	(75,657)
Net (decrease) in cash held	(27,442)	(92,447)
1.20 Cash at beginning of quarter/year to date	70,560	135,709
1.21 Exchange rate adjustments to item 1.20	(20)	(164)
1.22 Cash at end of quarter	43,098	43,098

+ See chapter 19 for defined terms.

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	186
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$185,750 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

54,450,000 fully paid shares issued as part consideration for the acquisition of a further 42.8% interest in Pinnacle Group Assets Limited.

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	-	-

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	9,000
4.2	Development	-
4.3	Production	-
4.4	Administration	2,000
Total		11,000

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	22,921	70,560
5.2	Deposits at call	20,177	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		43,098	70,560

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.

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	626,299,603	626,299,603		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	54,450,000	54,450,000	-	-
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>	7,850,000 Unlisted exercisable at \$0.45 on or before 30/09/11	-	N/A	N/A
7.8 Issued during quarter	-	-		
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-	-	-
7.12 Unsecured notes <i>(totals only)</i>	-	-	-	-

+ 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: Claire Tolcon
Company Secretary

Date: 29 July 2011

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 for item 6.2: Interests in mining tenements acquired or increased

Tenement reference		Nature of interest	Interest at beginning of quarter	Interest at end of quarter
South Isa 16	EPM 17483	Granted	0%	100%
West Isa 3	EPM16609	Granted	0%	100%
West Isa 6	EPM16633	Granted	0%	100%
West Isa 8	EPM16795	Granted	0%	100%
South Isa 16	EPM17483	Granted	0%	100%
Gbahama	EL11/2011	Granted	0%	100%
Yaya	EL12/2011	Granted	0%	100%
Gbinti	EL13/2011	Granted	0%	100%
Magbeti	EL14/2011	Granted	0%	100%
Makonkari	EL16/2011	Granted	0%	100%
Karina	EL17/2011	Granted	0%	100%
Kukuna North	EL18/2011	Granted	0%	100%
Lankono North	EL19/2011	Granted	0%	100%
Mawanka	EL21/2011	Granted	0%	100%
Magbosi	EL23/2011	Granted	0%	100%
Gbangbama	EL24/2011	Granted	0%	100%
Gbinti West	EL25/2011	Granted	0%	100%

+ See chapter 19 for defined terms.