

31 October 2011

QUARTERLY REPORT– 30 SEPTEMBER 2011

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 30 September 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
652,171,792

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

www.capelam.com.au

HIGHLIGHTS

Corporate

- At 30 September 2011, the Company had approximately \$25 million in cash at bank.
- Sale agreement signed with ASX listed Glory Resources Limited for the sale of the Company's 100% interest in the Sappes Gold Project. Total consideration for the sale is A\$14 million with a further A\$32.5 million being payable post completion to settle loan amounts owing to the Company.
- The Company increased its interest in Pinnacle Group Assets Limited to 100%.

Projects

Marampa Iron Ore Project

- Updated Scoping Study completed in September 2011 confirmed that the Marampa Project has robust financial metrics with an ungeared (100% equity) after tax NPV_{10%} of US\$1 billion, an internal rate of return of 34% and after tax cash flows of US\$2.86 billion.
- Advisers appointed and documentation in preparation for a possible IPO listing of the Marampa Project on the Alternate Investment Market board of the London Stock Exchange.
- Drilling scheduled to commence at Sandenia in the March 2012 quarter.

Pinnacle Group Assets (Kukuna and Sandenia Projects)

- 34 diamond drill holes (7,952m) completed at Kukuna to end of September.
- Hematite schist iron mineralisation up to 100m true thickness logged in diamond drill holes at Kukuna, with first assay results anticipated by December 2011.

Sappes Gold Project

- Preliminary Environmental Impact Study submitted in December 2010 is being reviewed by the Ministry of Environment.
- Updating of environmental studies to support the preparation of the full form Environmental Impact Study advanced.

Leichhardt Copper Project

- Metallurgical test work underway to investigate heap leach characteristics of Mt Watson transitional copper mineralisation.
- High resolution airborne geophysical survey completed over the entire Leichhardt land package with data interpretation in progress.
- Ground SAM geophysical surveys to define drill targets for potential extensions to copper mineralisation completed at the Mt Watson deposit and the nearby Boomerang, Mt Earl and Mt Wonder prospects.
- Soil geochemical sampling conducted over the Mt Watson and Isabella/Mt Stanley areas shows encouraging results, with follow up work planned.
- Modelling of VTEM and down hole EM geophysical data at the Prospector and Leichhardt prospects identifies several untested sulphide conductor drill targets.

CORPORATE

Strategy and Business Model

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

Through 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.

Cash Reserves

At 30 September 2011, the Company had approximately \$25 million in cash.

During the quarter, the Company’s net cash outflow amounted to approximately \$18.7 million accounted for largely as payments for exploration and evaluation of \$9.9 million (incurred mainly at the Marampa Iron Ore and Kukuna Iron Ore projects), completion of the acquisition of the remaining 9.8% in Pinnacle Group Assets Limited for \$5.0 million, purchase of equity investments for \$4.2 million and various other minor transactions.

Equity Investments and Divestments

Pinnacle Group Assets Limited (“Pinnacle”)

Pinnacle owns the Kukuna Iron Ore Project located in Sierra Leone and the Sandenia Iron Ore Project located in the Republic of Guinea. Further details of these projects are set out in the Projects section of this Report.

As reported in the June 2011 quarterly report, the Company had increased its interest in Pinnacle to 90.2%. In September 2011, the Company acquired the remaining 9.8% of Pinnacle, making it a wholly owned subsidiary of the Company. The consideration paid for the remaining 9.8% comprised of:

- (a) A\$5 million in cash; and
- (b) the issue of 20,672,189 shares in the Company (“Shares”) at a deemed issue price of A\$0.53 (which was at a premium of 9% to the closing price on ASX on the date of the agreement). The Shares are escrowed for a period of 3 months from the date of issue.

Sappes Gold Project (“Sappes”)

On 18 August 2011, the Company announced that it had entered into a conditional sale agreement with ASX listed Glory Resources Limited (“Glory”) for the sale of Sappes for a total consideration of A\$46.5 million. The Company has since signed a full form share sale agreement for the transaction (“Share Sale Agreement”). Pursuant to the terms of the Share Sale Agreement, Glory will satisfy the consideration as follows:

- (a) 16,000,000 shares in Glory (“Glory Resources Shares”) on completion of the transaction;

- (b) A\$5,000,000 in cash or Glory Resources Shares, at the election of the Company, on the granting of an operating permit (or equivalent) in respect of Sappes; and
- (c) A\$5,000,000 in cash or Glory Resources Shares, at the election of the Company, upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper concentrate and/or silver metal) from Sappes.

In addition, within 3 business days after completion of the transaction, Glory is required to pay the Company A\$32,500,000 in cash to settle loan amounts owing to the Company.

Glory held its Annual General Meeting on 24 October 2011, where shareholders approved, inter alia, the transaction and a capital raising of A\$42,500,000 ("Glory Resources Capital Raising"). Completion of the Share Sale Agreement is subject to Glory re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Glory Resources Capital Raising. All conditions must be satisfied or waived by 31 December 2011 with completion of the transaction to take place five business days thereafter.

Monitor Energy Limited

During the quarter, the Company disposed of its 14.37% in Monitor Energy Limited (now named Orca Energy Limited (ASX: OGY)) for \$2,000,000.

Marampa Iron Ore Project ("Marampa")

The Company appointed a number of advisors and commenced preparation of an Admission Document ahead of a possible initial public offering ("IPO") for a listing of Marampa on the Alternate Investment Market ("AIM") board of the London Stock Exchange.

Submissions have been sought from a number of London and Canadian based brokers to manage and complete the capital raising of the IPO. The capital raising will enable the Company to sell down approximately 75% of its interest in Marampa and provide new money for the listed vehicle for the completion of a bankable feasibility study, and the commencement of construction of ancillary project infrastructure. The timing to proceed to an AIM listing and the appointment of brokers is subject to an improvement in market conditions.

Facilities and Legal Action

Chameleon Mining

The strategic alliance entered into with Chameleon Mining NL (ASX: CHM) ("Chameleon") in August 2010 provided Chameleon with operational funding. 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.

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 pursuant to an agreement between the parties ("MCC Agreement"). In accordance with the terms of the MCC Agreement, 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.

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

Pursuant to the terms of the MCC Agreement, the Company has also instigated mediation proceedings in Singapore in an attempt to resolve the dispute.

The Company remains confident that it will be successful in establishing that the final payment is due and payable by MCC.

PROJECTS

Marampa (100% interest)

Marampa is a brownfields hematite iron ore project at feasibility assessment stage and is located 90km northeast of Freetown, Sierra Leone, West Africa (“Marampa” or “Marampa Project”) (refer Figure 2). Marampa comprises a granted exploration licence (EL46/2011, which was formerly EXPL09/06 “Lunsar”, 305km²) held by Marampa Iron Ore (SL) Limited, indirectly a wholly owned subsidiary of Cape Lambert.

Scoping Study Update

An updated scoping study completed by Bateman Engineering Pty Ltd (“Bateman”), with contributions from several specialist consultants, and based on the updated mineral resource inventory defined at the Gafal, Matukia, Mafuri and Rotret deposits (680Mt at 28.2% Fe), was completed during the quarter (“Updated Scoping Study”). This study was based on a staged project development approach with Stage 1 mining and processing softer oxide ores at a planned 2.5Mtpa of concentrate production and Stage 2 expanding concentrate production to 10Mtpa within 18 months, resulting in a 22 year mine life.

The results of the Updated Scoping Study confirmed that the Marampa Project has robust financial metrics with an ungeared (100% equity) after tax NPV_{10%} of US\$1 billion, an internal rate of return of 34% and after tax cash flows of US\$2.86 billion.

The Stage 1 capital investment was estimated at US\$458M whilst the Stage 2 expansion was estimated at US\$1,051M. The Stage 1 operating costs were estimated at US\$45 per tonne of concentrate, free on board (“FOB”), with an average life of mine operating cost of US\$52 per tonne FOB.

Resource Estimate

During the quarter, independent consultant Golder Associates Pty Ltd completed an updated JORC resource estimate for Marampa based on drilling completed to 31 May 2011. The updated total mineral resource estimate for Marampa is 680 million tonnes (38% Indicated) at 28.2% Fe covering the Gafal, Matukia, Mafuri and Rotret deposits. A summary of the mineral resource estimate, at a 15% Fe cut-off grade, is shown in Table 1.

Table 1: Marampa Mineral Resource Estimate – July 2011

Deposit	JORC Category	Tonnes (millions)	Grade (%)					
			Fe	SiO ₂	Al ₂ O ₃	P	S	L.O.I.
Matukia	Indicated	76	30.2	40.5	4.9	0.14	0.00	3.1
	Inferred	98	30.6	39.9	5.1	0.13	0.00	3.2
	Total	174	30.4	40.2	5.0	0.14	0.00	3.2
Gafal (West & South)	Indicated	55	29.6	41.5	5.1	0.13	0.00	3.0
	Inferred	195	26.2	47.0	6.7	0.19	0.00	2.2
	Total	250	27.0	45.8	6.3	0.18	0.00	2.4
Mafuri	Indicated	130	27.5	45.0	5.8	0.15	0.00	2.3
	Inferred	59	27.4	45.2	7.8	0.10	0.01	2.9
	Total	189	27.5	45.1	6.4	0.14	0.00	2.5
Rotret	Inferred	67	29.2	44.1	6.3	0.14	0.01	2.4
Total Indicated		261	28.7	43.0	5.4	0.14	0.00	2.7
Total Inferred		419	27.9	44.6	6.4	0.16	0.01	2.6
Total		680	28.2	44.0	6.0	0.15	0.00	2.6

Drilling completed post 31 May 2011 has identified further mineralisation along strike to the west of Mafuri. All mineral resources have only been estimated to a maximum depth of -200mRL (approximately 200 to 250m below surface), meaning that there is potential up-side to the resource quantity at depth. Further resource potential also exists along strike to the north at Matukia and west of Mafuri (refer Figure 3).

In addition to the mineral resources defined at the Matukia, Gafal, Mafuri and Rotret deposits there are an additional three known prospects at Marampa, namely Petifu, Makambo and Toma (refer Figure 3), which have a combined Exploration Target size¹ of between 91Mt and 175Mt at approximately 20-35% Fe.

Marampa Rail and Port Infrastructure

Marampa is connected to the stockpiling and ship loading facility at Pepel Port via an existing 73km 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 is proposing to construct a new port at Tagrin and a rail network linking Tagrin and Tonkolili (collectively "Tagrin Infrastructure").

African Minerals has granted the Company access to the Marampa Infrastructure and Tagrin 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 Marampa on the Marampa Infrastructure; and
- Cape Lambert has an option to increase this transport capacity to 5Mtpa once African Minerals' proposed Tagrin Infrastructure is in full operation.

The Company is currently in discussion with African Minerals to increase the tonnage on the current access agreement to 10Mtpa, in line with the Updated Scoping Study. The basis of these discussions is to transport 2.5Mt on the Marampa Infrastructure and 7.5Mtpa on the Tagrin Infrastructure.

Environmental and Social Impact Assessment

Work on inputs to the Environmental and Social Impact Assessment ("ESIA") required for Marampa permitting was completed during the quarter. This included; an ecological study, a cultural heritage study, soil geochemistry, noise, air quality and social consultation studies.

Preparation of the full form ESIA has now commenced.

Pinnacle (100% interest)

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

Kukuna Project – Sierra Leone

The Kukuna Project is located 120km northeast of Freetown in the northwest of Sierra Leone consisting of one exploration licence over 68km² (refer Figure 2). The licence is located 70km due north of the Marampa Project.

¹ The estimates of exploration target sizes mentioned in this report should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimate of exploration target sizes are conceptual in nature and there has been insufficient exploration completed to date to determine the quantity and grade, or to estimate a Mineral Resource in accordance with the JORC Code (2004) guidelines. Further, it is uncertain if future exploration will result in the determination of a Mineral Resource.

The Kukuna licence comprises rocks correlated with the Marampa Group stratigraphy, which host the specular hematite schist iron mineralisation at Marampa. The licence is extensively covered by laterite, alluvium and vegetation. Initial exploration of geological mapping, trenching and ground IP geophysical surveys have been completed, defining several drill targets under cover. Follow-up trenching and scout diamond drilling to test these targets commenced in July 2011.

The objective of exploration at Kukuna is to discover and define sufficient hematite schist mineralisation to support a standalone mining operation similar to the deposits defined at Marampa to the south.

At the end of September 2011, 34 diamond drill holes (7,952m) had been completed. This first phase of drilling has been successful in identifying intercepts of hematite schist of up to 100m true thickness (as determined by core logging). This iron mineralisation is considered to be similar to the mineralisation at Marampa, albeit slightly finer grained. The first assays from Kukuna are expected to be reported by December 2011. The Company will now undertake a detailed structural interpretation of the area, along with preliminary metallurgical testwork prior to undertaking resource estimation.

Sandenia Project – Guinea

The Sandenia Project is located 290km east northeast of Conakry in the central south of the Republic of Guinea and comprises two exploration permits covering 608km² (refer Figure 2). The Sandenia permits contain rocks of Archean age that are prospective for iron mineralisation, which are similar to the host rocks that contain the 6.16Bt Kalia deposit owned by Bellzone Mining plc located on the adjacent permit to the north.

Regional mapping and sampling completed by SRK Consulting (Australasia) Limited early in 2011 identified seven exploration targets over an aggregate strike length of >20km containing weathered and fresh magnetite Banded Iron Formation 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 June 2011 to define drill targets. This mapping confirmed the presence of magnetite bearing lithologies including magnetite quartzite and magnetite amphibolite ultramafic rocks.

Trenching, along with trench sampling and mapping, is currently taking place at the Sandenia and Sandenia East prospects prior to drill testing.

Drill testing of priority targets is expected to commence in the March 2012 quarter.

Rokel Iron Ore Project (100% interest)

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds a land package of granted licences and applications in Sierra Leone totalling greater than 2,000km², covering the region 70km to the north and south of Marampa (refer Figure 2). This land package is referred to as the Rokel Iron Ore Project (“Rokel” or “Rokel Project”) and is prospective for the discovery of hematite schist deposits similar to those at the Marampa Project.

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).

A high resolution magnetic and radiometric airborne survey was completed over the Rokel Project tenements during June 2011. The survey totalled 17,040 line kilometres on 200m line spacings. Interpretation and target generation for Marampa type iron ore deposits and other anomalies is ongoing.

Interpretation of the ground Induced Polarisation (“IP”) geophysical survey data collected in the March 2011 quarter over the Kumrabai prospect east of Marampa was completed. This identified four linear, high intensity, coincident conductive/chargeable anomalies over an 8km 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, and trenching of the Kumrabai anomalies, will be undertaken during 2011/12.

Sappes (100% interest)

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).

As set out in the Corporate section of this Report, the Company has entered into a conditional sale agreement for Sappes with ASX listed Glory for a total consideration of A\$46.5 million.

The Company’s Preliminary Environmental Impact Study (“PEIS”), which is the first step in the environmental approval process, is being reviewed by the Ministry of Environment, with approval expected to be received early in the first quarter of 2012.

Additional environmental studies to support the full form Environmental Impact Study, to be lodged after the PEIS is approved, are well advanced.

The Company has continued with its socialisation program in respect of project development with the local community and authorities.

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”);
- 10 granted Exploration Licences totalling 7,018km² in the east of the Northern Territory, prospective for rock phosphate;
- 4 granted Exploration Licenses 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 2,434km², 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 several grassroots rock phosphate targets on the Northern Territory licences. These targets 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 is currently in progress.

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 3 main target areas where the depth to the prospective Mt Isa Inlier basement is approximately 200 to 500m. A high resolution (4086 station, approximately 630km²) ground gravity geophysical survey to more accurately delineate the depth to basement was completed in October 2011. The survey has highlighted several anomalies and is currently being interpreted prior to the expected drill testing of priority targets in 2012. Modelling of this data will be

undertaken during the December quarter 2011 with a view to undertaking deep reconnaissance stratigraphic drill testing of priority basement targets in 2012.

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

Leichhardt, which is currently on care and maintenance, is located approximately 100km northeast of Mt Isa in the highly prospective Eastern Succession of the Mt Isa Inlier (refer Figures 5 and 6) and comprises:

- the Leichhardt process plant and accommodation camp at Mt Cuthbert; a heap leach, solvent extraction and electrowinning facility (“SX-EW”) 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 Mt Watson, Leichhardt and Hidden Treasure deposits and other satellite deposits², and several targets including Mt Wonder, Mt Earl and Prospector that are prospective for oxide and primary copper deposits.

The exploration objective at Leichhardt is to substantially increase the oxide copper resource inventory sufficient to recommence SX-EW operations at the existing nameplate capacity or greater, and to define standalone copper oxide and sulphide resources. This is being undertaken by the following strategies:

- Exploration and testing of additional leachable oxide copper resources within trucking distance (5-40km) of the Leichhardt process plant by:
 - carrying out metallurgical test work of the transition materials in the existing mineral inventory beneath the Mt Watson open pit;
 - testing for extensions to the known deposits, and
 - defining and testing new targets.
- Defining and testing known and new regional oxide and sulphide copper targets with a view to defining standalone deposits or justifying the eventual relocation of the existing operations infrastructure.

Metallurgical Test Work

Core samples from the Mt Watson transitional ore metallurgical drilling are being tested at HRL Testing Pty Ltd in Brisbane. The core has been crushed and submitted for chemical analysis including copper sequential diagnostic leach determinations. Based on these results, transition ore composites will be prepared for assessment by bacterially-assisted bottle roll leach tests.

Exploration

Work progressed during the quarter to define priority targets within trucking distance and regionally for drill testing in 2012 to achieve the exploration objectives.

Ground Sub Audio Magnetic geophysical surveys (“SAM”) were completed over six targets areas during the quarter. The SAM method is useful for defining sulphide-bearing structures beneath oxide mineralisation. The targets represent potential extensions to the Mt Watson deposit and the nearby Boomerang prospect, and the poorly tested mineralised structures at the Mt Earl and Mt Wonder prospects to the north. Interpretation of the data is in progress.

Soil geochemical sampling was carried out at the Mt Watson, Isabella and Mt Stanley areas with encouraging results. There are several targets hosted in the Surprise Creek Formation rocks in the north where sampling is planned in the December 2011 quarter.

² Refer Cape Lambert ASX Announcement dated 15 April 2011 for full details of the resource inventory

A high resolution airborne geophysical survey was flown over the entire Leichhardt land package in July 2011 to assist with regional geological and structural mapping and prospect exploration. Data processing and interpretation is in progress.

A review of the 2008 high resolution airborne VTEM (versatile time domain electromagnetic) geophysical data flown for Matrix Metals Limited was completed by geophysical consultants Core Geophysics. This identified 10 poorly- or un-tested sulphide targets at depth with 7 of these rated as high priority and warranting further work. These were Prospector 1, 2 and 3, Leichhardt A and B, YM7 and Flora Dora.

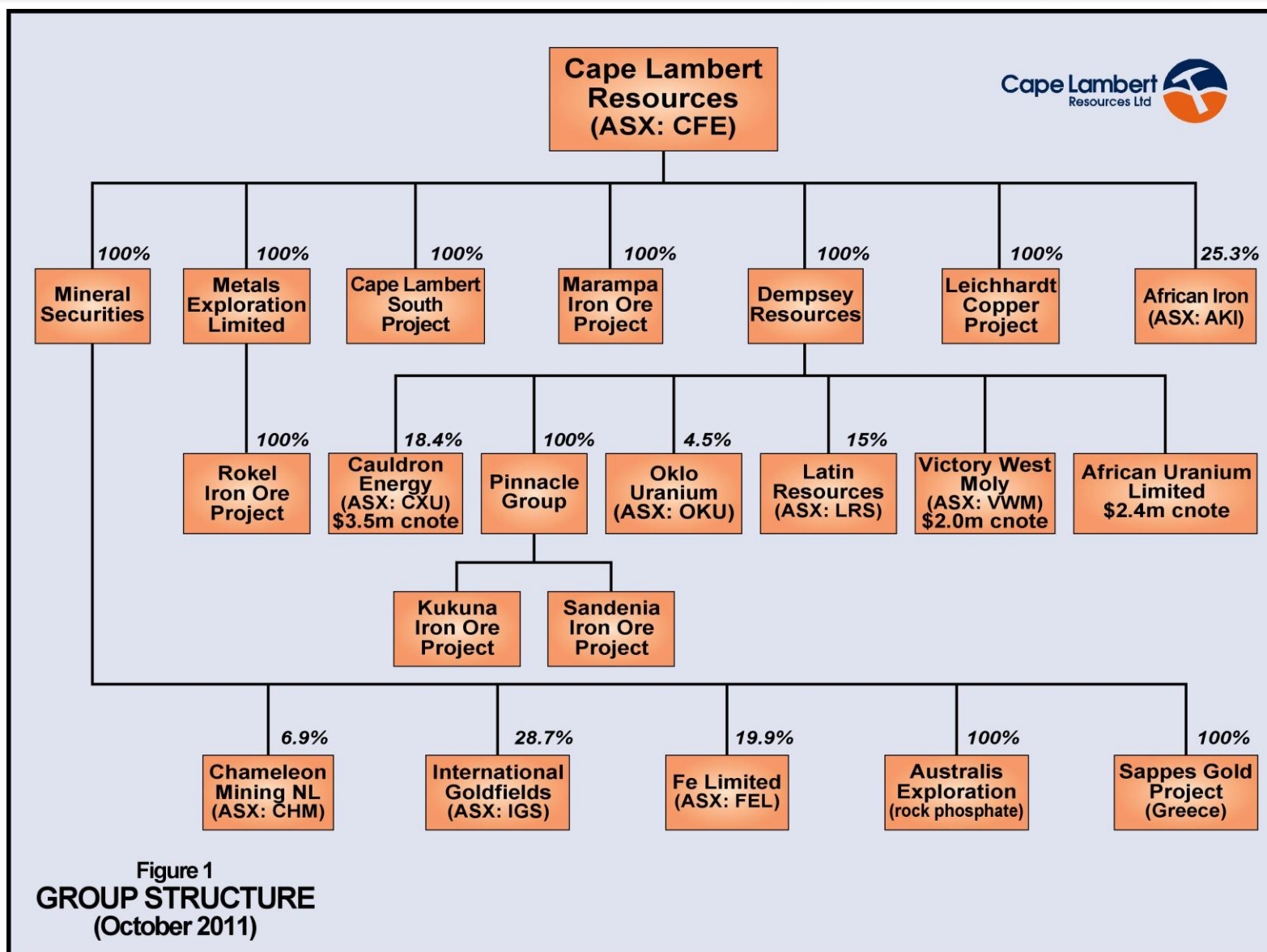
Down hole electromagnetic geophysical surveys ("DHEM") were completed on 5 old drill holes at Prospector 2. These surveys confirmed sulphide mineralisation intersected in two holes and identified three conductors not tested by previous drilling based on modelling of the VTEM data. Work is now underway to compile and interpret geological mapping and historic drill data with a view to testing these conductors after the coming wet season.

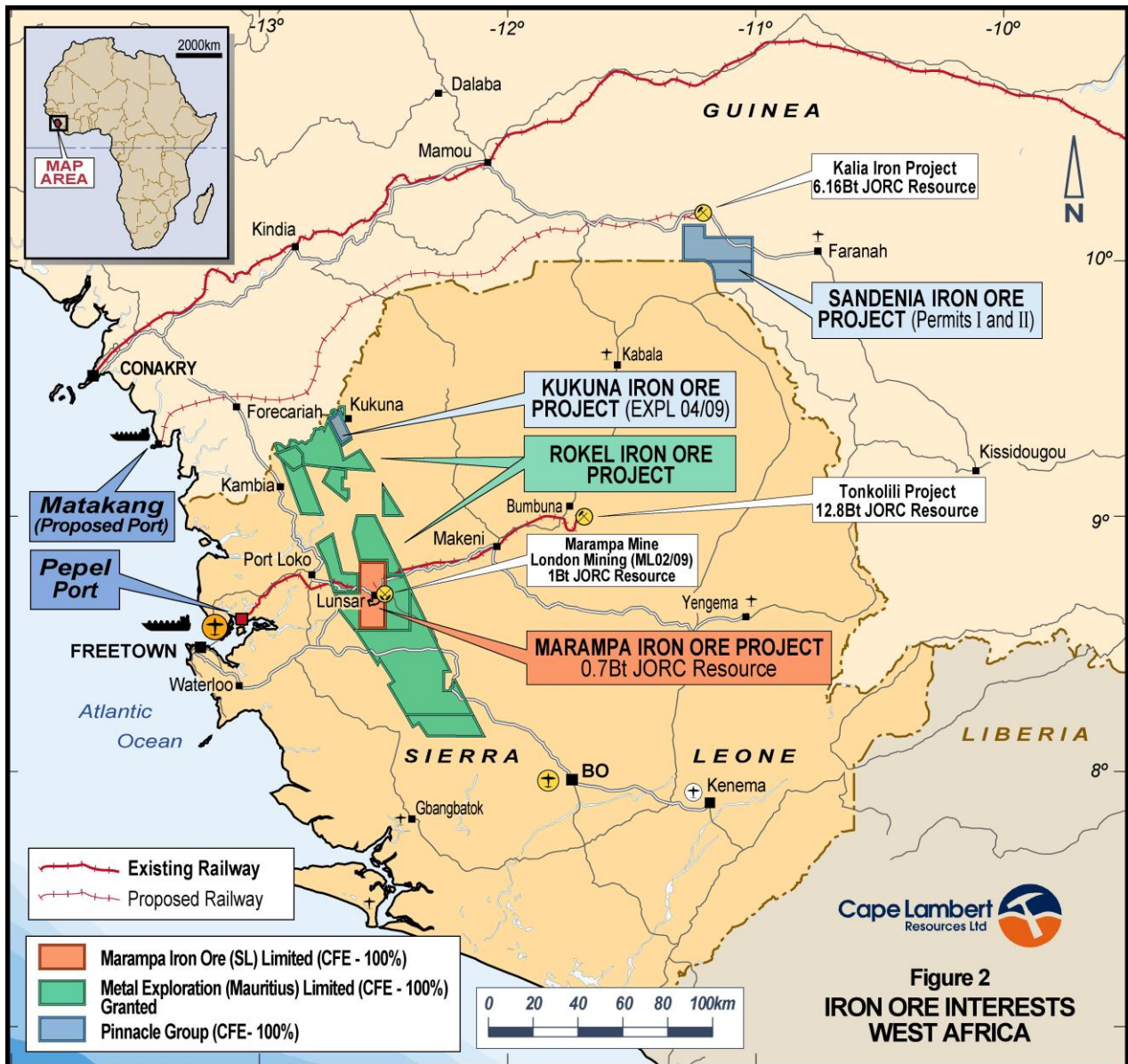
Competent Person:

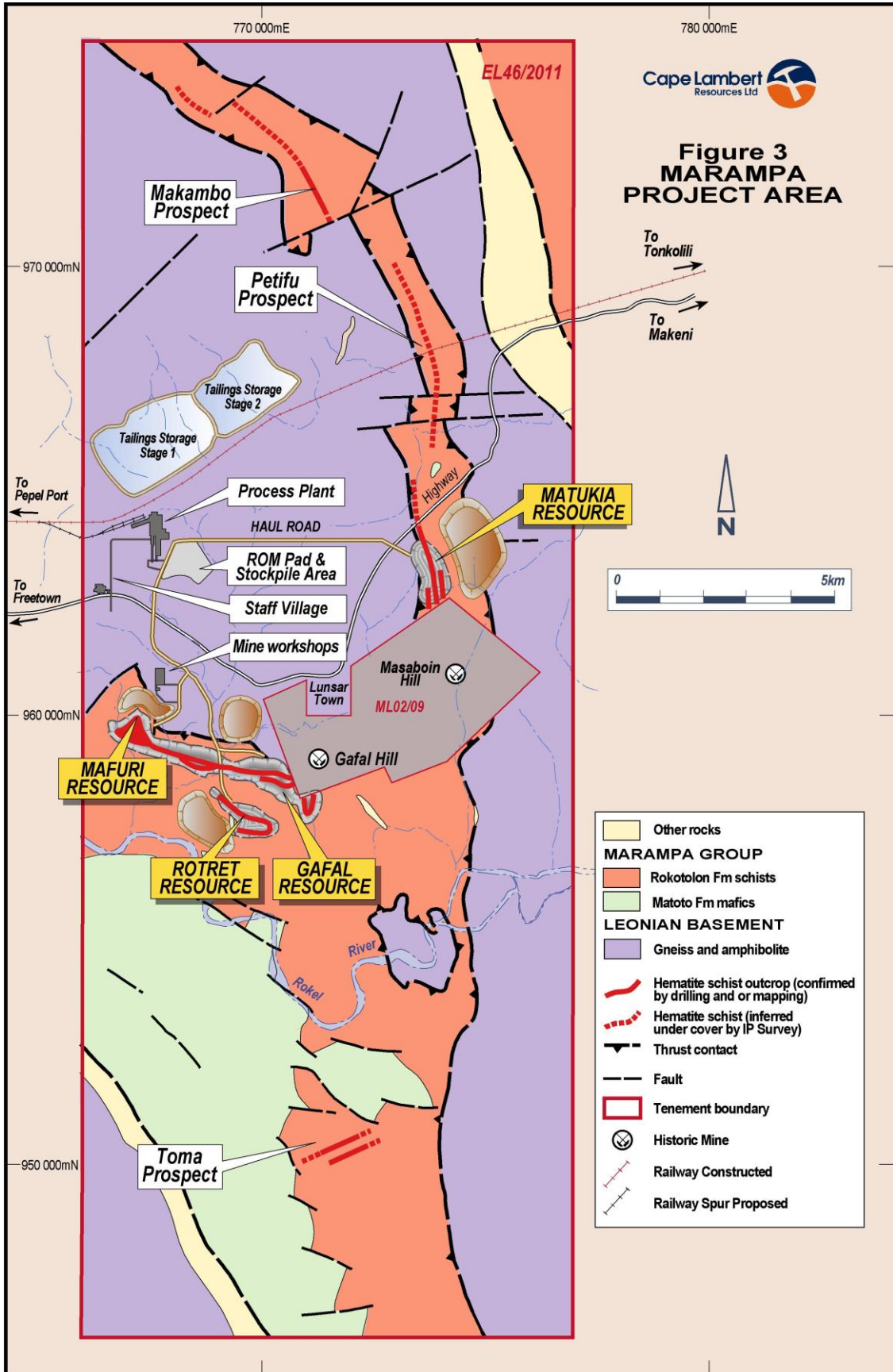
The contents of this report relating to Exploration Results, Mineral Resources and Ore Reserves are based on information compiled by Kim Bischoff, a Member of the Australasian Institute of Mining and Metallurgy. Mr Bischoff is a consultant to Cape Lambert and has sufficient experience relevant to the 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:

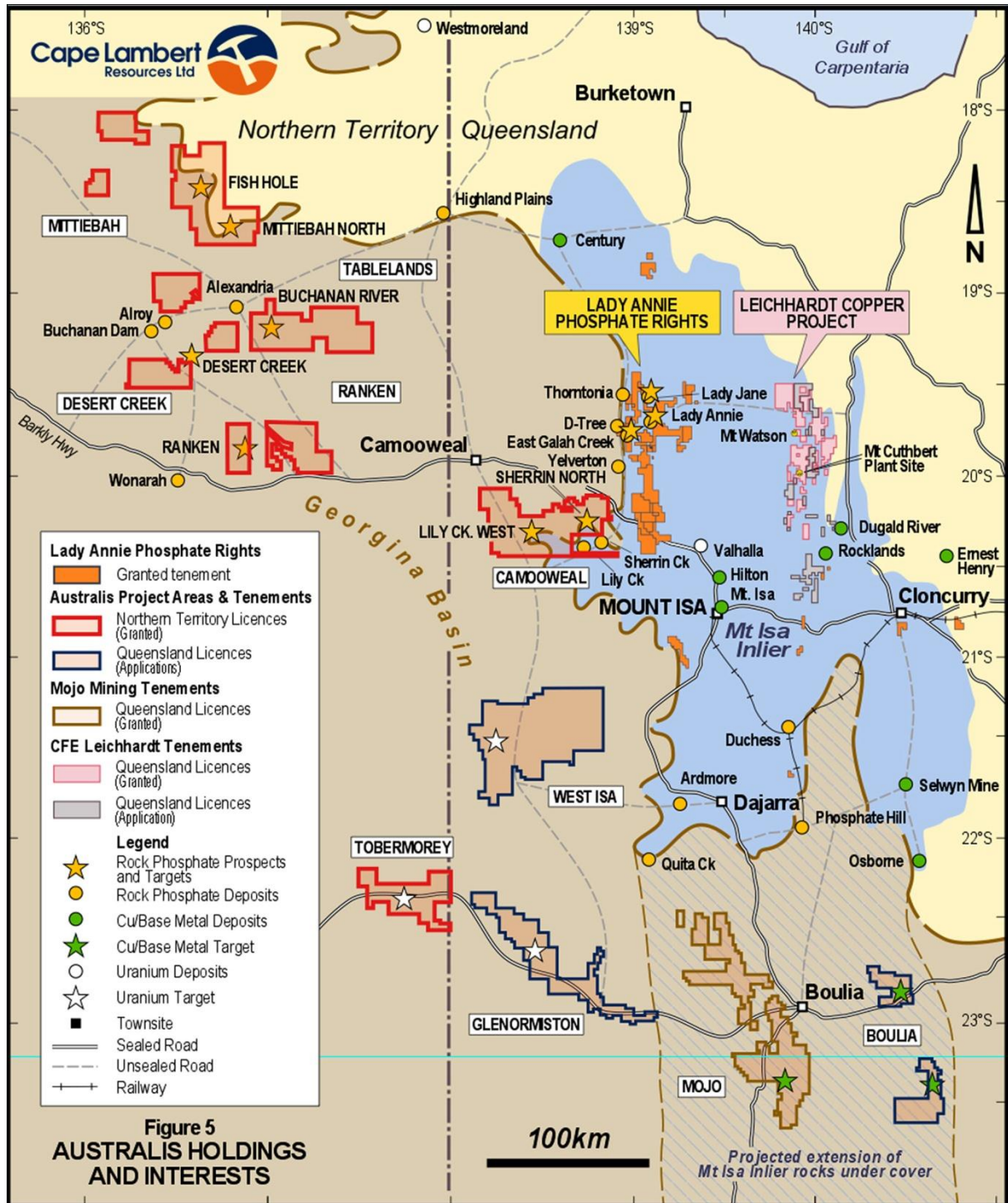
The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr G V Ariti, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Ariti is a consultant to Cape Lambert and has sufficient experience which is relevant to 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.

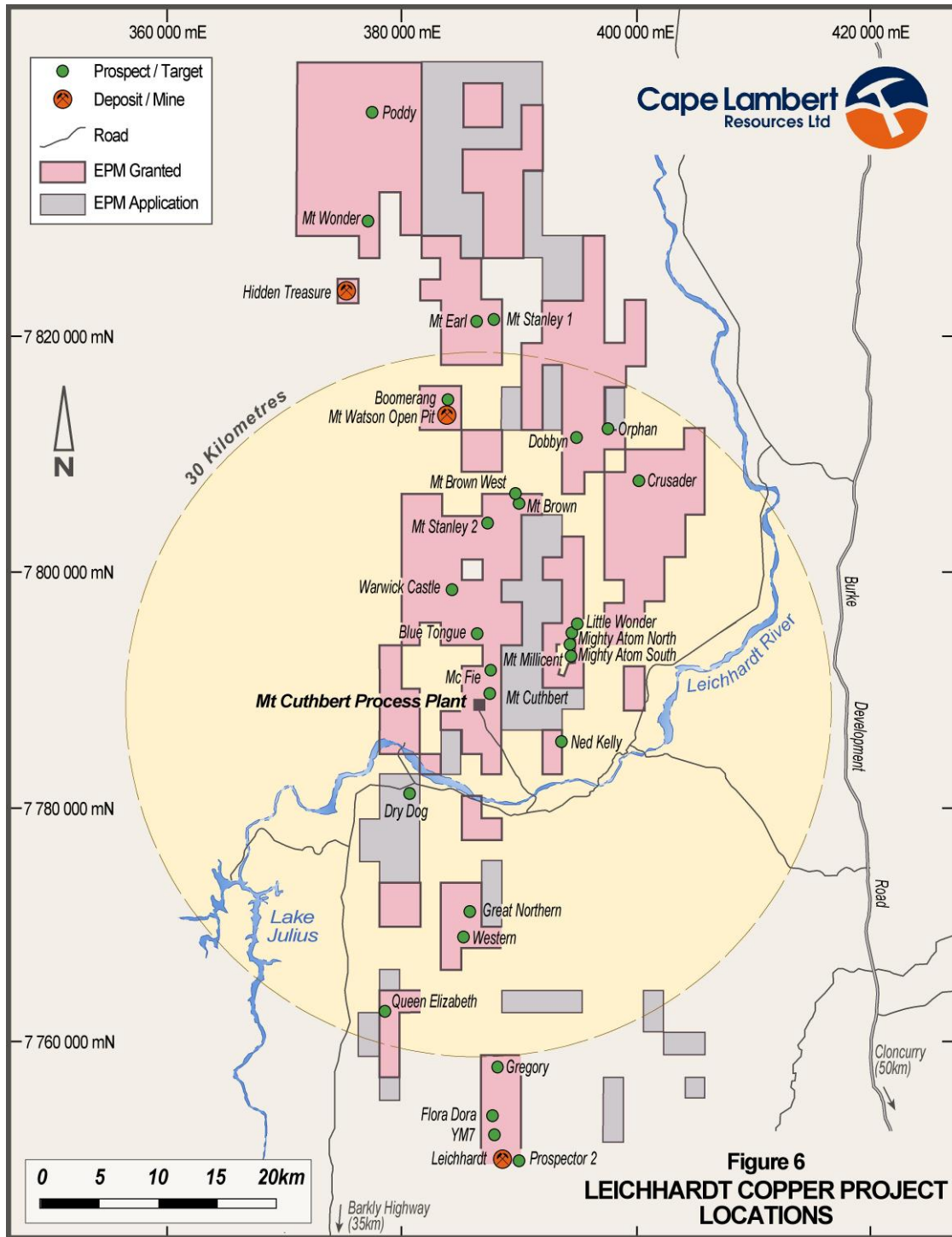












Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

CAPE LAMBERT RESOURCES LIMITED

ABN

71 095 047 920

Quarter ended ("current quarter")

30 September 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(9,919)	(9,919)
(b) development	-	-
(c) production & care & maintenance costs	-	-
(d) administration	(2,378)	(2,378)
1.3 Dividends received	-	-
1.4 Interest and similar items received	472	472
1.5 Interest and other costs of finance paid	(30)	(30)
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net operating cash flows	(11,855)	(11,855)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(4,250)	(4,250)
(c) other fixed assets	(436)	(436)
(d) controlled entity	(5,000)	(5,000)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	2,000	2,000
(c) other fixed assets	-	-
(d) controlled entities	-	-
1.10 Loans to other entities	(510)	(510)
1.11 Loans repaid by other entities	-	-
1.12 Other: Cash backing security for performance / other bonds & bank guarantees released	554	554
Other: Cash backing security for performance / other bonds & bank guarantees provided	(16)	(16)
Other: Payment of transaction related and business development costs	(1,519)	(1,519)
Net investing cash flows	(9,187)	(9,187)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
1.13	Total operating and investing cash flows (carried forward)	(21,042)	(21,042)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	2,340	2,340
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other: share buy back	-	-
	Net financing cash flows	2,340	2,340
	Net (decrease) in cash held	(18,702)	(18,702)
1.20	Cash at beginning of quarter/year to date	43,096	43,096
1.21	Exchange rate adjustments to item 1.20	138	138
1.22	Cash at end of quarter	24,532	24,532

+ 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

20,672,189 fully paid shares issued as part consideration for the acquisition of the final 9.8% of Pinnacle Group Assets Limited, making Pinnacle a 100% wholly owned subsidiary of the Company.

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	7,000
4.2	Development	-
4.3	Production	-
4.4	Administration	2,500
Total		9,500

+ 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	3,992	22,919
5.2	Deposits at call	20,540	20,177
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		24,532	43,096

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	652,071,792	652,071,792		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of share options (c) Decreases through returns of capital, buy-backs	20,672,189 5,100,000	20,672,189 5,100,000	- -	- -
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>	-	-	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: 31 October 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.

== == == == ==

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
E15/2011	Lankono	Granted	-	100%
E20/2011	Marampa East	Granted	-	100%
E22/2011	Kambia East	Granted	-	100%

+ See chapter 19 for defined terms.