

31 January 2012

## QUARTERLY REPORT– 31 DECEMBER 2011

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 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  
688,608,792

Unlisted Options  
8.3 million (\$0.45 exp 30 Nov 2012)

### 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  
African Iron Limited  
International Goldfields Limited

### Cape Lambert Contact

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## HIGHLIGHTS

### Corporate

- Subsequent to the end of the quarter, Johannesburg Stock Exchange listed Exxaro Resources Limited made a takeover offer for all the shares and listed options in African Iron Limited (ASX: AKI), a company in which Cape Lambert holds 126,700,000 shares (25.3%), potentially delivering up to A\$72.2 million to the Company.
- At 31 December 2011, the Company had approximately \$37.5 million in cash at bank.
- Sale of the Company's 100% interest in the Sappes Gold Project completed with A\$32.5million cash in settlement of loans and 16 million shares in Glory Resources Limited (ASX: GLY) received. Deferred consideration of A\$10million in cash or shares is payable on achievement of permitting and production milestones.
- The Company satisfied the deferred consideration for the acquisition of Pinnacle Group Assets Limited with CFE scrip.

### Projects

#### ***Marampa Iron Ore Project***

- The planned IPO listing on the Alternate Investment Market (AIM) board of the London Stock Exchange was deferred until confidence is restored to global financial markets.
- With the assistance of a number of appointed key advisers, all necessary documentation is being prepared for an IPO listing once confidence returns to capital markets.
- As stated in an ASX Announcement (5 December 2011) in respect of a possible asset sale of Marampa, a number of third parties have been granted access to the dedicated Marampa data room.

#### ***Pinnacle Group Assets (Kukuna and Sandenia Iron Ore Projects)***

- First pass drill results received from scout diamond drilling at Kukuna identify hematite mineralisation over a strike of >10km, with units up to 100m thick and extending to >250m below surface. Significant intersections include:
  - KUDD005: 35.3m at 28% Fe from surface; and
  - KUDD009: 64m at 29% Fe from surface.
- Camp established and trenching in progress at Sandenia in readiness for commencement of scout diamond drilling.

#### ***Leichhardt Copper Project***

- Encouraging results achieved from bottle roll leach tests on the Mt Watson transitional ore with copper recoveries ranging from 58% to 75%. Column leach tests to commence in March quarter 2012.
- Confirmatory leach testing of Mt Watson oxide ores achieved excellent copper recoveries ranging from 80 to 92% in bottle roll tests.
- Compilation and validation of the large historical exploration and mineral resource data sets for Leichhardt was completed, and identification and prioritisation of oxide copper targets within trucking distance of the Leichhardt process plant was commenced.
- A total of nine trenches for 1,245 linear metres was completed on coincident >200ppm copper-in-soil anomalies and fault structures to the north of the Warwick Castle open pit and north of the Mt Stanley and Isabella prospects. These targets are previously untested. Sample results are expected in the March quarter 2012.

#### ***Rokel Iron Ore Project***

- Regional mapping and sampling covering 2,900km<sup>2</sup> of licences north and south of Marampa to commence in February 2012.
- Rock chip geochemical sampling returns grades of 39.1 – 57.7% Fe over 7km of strike at new hematite schist prospect east of Marampa.

## 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 the acquisition of CopperCo Limited’s assets, subscriptions to convertible notes, and the acquisition of strategic land packages, 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**

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

On 16 December 2011, the Company completed the sale of Sappes to ASX listed Glory Resources Limited (ASX: GLY) (“Glory”) for a total consideration of A\$46,500,000. Pursuant to the terms of the sale, the Company received A\$32,500,000 cash in satisfaction of loan amounts and 16,000,000 shares in Glory (“Glory Shares”). In addition, the Company is entitled to receive:

- (a) A\$5,000,000 in cash or Glory Shares, at the election of the Company, on the granting of an operating permit (or equivalent) in respect of Sappes; and
- (b) A\$5,000,000 in cash or Glory 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.

During the quarter, the Company acquired additional shares in Glory and currently holds 36,750,000 shares, representing 16.39% of Glory’s issued capital.

#### ***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 September 2011 quarterly report, the Company increased its interest in Pinnacle to 100%. In December 2011, the Company satisfied its deferred consideration for the acquisition of shares in Pinnacle through the issue of 35,937,000 Cape Lambert shares, in place of a A\$16,335,000 cash payment. No further obligations are owing by the Company in respect of the acquisition of 100% of Pinnacle.

#### ***Marampa Iron Ore Project (“Marampa”)***

As reported in the September 2011 quarterly report, the Company has commenced the process of pursuing an initial public offering (“IPO”) and listing of Marampa on the Alternate Investment Market (“AIM”) board of the London Stock Exchange. The Company has significantly progressed this process and has appointed a number of advisers to assist with the listing process and is well advanced on its drafting of an AIM Admission document.

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 remains subject to an improvement in market conditions.

Consistent with the Company's business model, whilst the Company continues with the IPO process, the Company still responds to interest received from third parties in respect to a sell down of its interest in the Marampa Project via an asset sale and has had a number of parties in the data room dedicated to the Marampa Project.

### ***African Iron Limited ("African Iron")***

Subsequent to quarter end, Exxaro Australia Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro") a South African based mining group listed on the Johannesburg Stock Exchange, made a takeover offer for all of the shares and listed options in African Iron Limited (ASX: AKI) ("African Iron") ("Takeover Offer"). Pursuant to the terms of the Takeover Offer, Exxaro offered A\$0.51 cash for each African Iron share ("Initial Offer Price") and has confirmed that it will vary the Takeover Offer to increase the offer price to A\$0.57 per African Iron share ("Increased Offer Price") if Exxaro acquires a relevant interest in at least 75% of African Iron shares (on a fully diluted basis). Subject to the Takeover Offer becoming, or being declared, free from all conditions and the 75% relevant interest level being reached, all African Iron shareholders who accept the Takeover Offer will be paid A\$0.57 for each African Iron share regardless of whether they accept before or after that 75% acceptance level is reached.

The Company has a relevant interest in 126,700,000 African Iron shares and pursuant to the terms of a pre-bid acceptance agreement between the Company and Exxaro, the Company accepted the Takeover Offer in respect of 100,315,473 African Iron shares (representing 19.99% of the issued capital of African Iron) and announced that subject to any superior offer being made during the currency of the Takeover Offer, the Company intends to accept the Takeover Offer for the remaining 26,384,527 African Iron shares it holds.

Acceptance of the Takeover offer in respect of all the African Iron Shares held by the Company will generate cash proceeds for the Company of approximately A\$72.2million (based on A\$0.57 per African Iron share).

### **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.

In December 2011, Chameleon announced that it had reached agreement with Murchison and its related entities to finalise a significant commercial settlement in respect to the Federal Court proceedings. Chameleon announced that it will receive A\$25,000,000 cash payment from Murchison to settle the proceedings which is payable in two tranches; the first being a non-refundable A\$5,000,000 cash on 29 December 2011 (which was received) and the balance of A\$20,000,000 paid on (and conditional upon) completion of the proposed sale of Murchison's interest in Crosslands and the Oakajee Port & Rail projects to Mitsubishi Development Pty Ltd.

Chameleon's settlement with Murchison does not affect its proceedings against Grimaldi (a director of Murchison at the time of the action), which it continues to pursue.

### ***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 A\$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 A\$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 A\$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 hematite iron ore project at feasibility assessment and permitting stage, and is located 90km northeast of Freetown, Sierra Leone, West Africa ("Marampa" or "Marampa Project") (refer Figure 2). Marampa comprises a 305.18km<sup>2</sup> granted exploration licence (EL46/2011) held by Marampa Iron Ore (SL) Limited, which is indirectly, a wholly owned subsidiary of Cape Lambert.

### ***Resources***

Marampa has a total JORC mineral resource of 680 million tonnes ("Mt") at 28.2% Fe (above a cut-off grade of 15% Fe) covering the Gafal, Matukia, Mafuri and Rotret deposits. The resource comprises 261Mt at 28.7% Fe of Indicated Mineral Resources and 419Mt at 27.9% Fe of Inferred Mineral Resources. Additional exploration has defined further mineralisation along strike to the west of Mafuri.

All mineral resources have 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 of Matukia and west of Mafuri (refer Figure 3).

In addition to these mineral resources there are an additional three known hematite prospects at Marampa, namely Petifu, Makambo and Toma (refer Figure 3), which have a combined Exploration Target size<sup>1</sup> of between 91Mt and 175Mt at approximately 20-35% Fe.

### ***Scoping Study***

A 10Mtpa scoping study was completed in September 2011 which was based on a two staged project development with Stage 1 mining and processing the softer oxide ores at a planned rate of 2.5Mtpa of concentrate production. The Stage 2 expansion increases concentrate production to 10Mtpa within 18 months of commissioning Stage 1, resulting in a 22 year mine life based on the current mineral resource inventory.

The Scoping Study confirmed that the Marampa Project has robust financial metrics with an ungeared (100% equity) after tax NPV<sub>10%</sub> 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.

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

Marampa is connected to the operating 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 has recently refurbished and commenced exporting iron ore from the Marampa Infrastructure. African Minerals are also proposing to construct a new port at Tagrin and a rail network linking Tagrin and Tonkolili (collectively "Tagrin Infrastructure").

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<sup>1</sup> 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 Marampa Project has access to the operating Marampa Infrastructure and the 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 15Mtpa. The basis of these discussions is to transport 2.5Mt on the Marampa Infrastructure and an additional 12.5Mtpa via a Marampa owned, dedicated concentrate slurry pipeline to the Tagrin deep water port, where it will be dewatered, stockpiled and then loaded directly onto Cape sized vessels.

### ***Environmental and Social Impact Assessment***

Preparation of the full form Environmental and Social Impact Assessment continues to be progressed.

### **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") (refer Figure 2).

#### ***Kukuna Project – Sierra Leone***

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

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 comprising geological mapping, trenching and ground IP geophysical surveys were completed in the first half of 2011, 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. The first phase of drilling at Kukuna was completed in November 2011. This program totalled 14,500m in 68 inclined diamond drill holes and was focussed on testing the Wongkifu and Kondekhuri prospects in the south and central areas of the exploration licence (refer Figure 3). Further trenching is underway to define structure and drill targets in the north of the licence.

Results have now been received for the first batch of 22 drill holes with 21 of these holes intersecting hematite schist mineralisation. Drill hole details and significant assay results are shown in Table 1 and collar locations and interpretative geology are shown on Figure 3. Significant intersections include:

- KUDD005: 35.3m at 28% Fe from surface;
- KUDD008A: 122m at 21% Fe from 94m;
- KUDD009: 64m at 29% Fe from surface, and
- KUDD020: 90m at 21% Fe from 214m.

Drilling has defined multiple units of hematite schist mineralisation at the Wongkifu and Kondekhuri East and West prospects over strike lengths of 5 and >5km respectively. This drilling has confirmed the occurrence of hematite schist associated with linear conductor/chargeable anomalies under cover as defined by the IP

ground geophysical survey completed in March 2011. At both prospects, units of hematite schist vary from 10m to 100m true thickness as determined by logging of diamond drill core. The units generally dip between 20 to 40 degrees to the west, which is advantageous in reducing the waste to ore mining stripping ratio in any potential future operations.

The laterite crust overlying the hematite schist units varies from <1m up to 10m thick with grades of 30-45% Fe based on the drilling and trenching completed to date. Oxidation typically extends to 30m below surface but may be deeper when associated with faults. Grades of the oxide and fresh hematite schist range from 20 to 30% Fe with low sulphur and phosphorus contents. Drilling has demonstrated the hematite schist extends to depths of >250m below surface.

The iron mineralisation is present as fine-medium grained (0.1-2mm) platy specular hematite, similar to the iron mineralisation at the Marampa Project to the south. It is expected that the iron mineralisation at Kukuna will be amenable to the proven Wet High Intensity Magnetic Separation ("WHIMS") beneficiation flow sheet developed for Marampa. Preparation of sample composites for sighter beneficiation test work is in progress.

### ***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 608km<sup>2</sup> (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 contiguous permit to the north.

Regional mapping and sampling completed by SRK Consulting (Australasia) Limited in 2011 identified seven exploration targets with 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 in mid-2011. Trenching to refine scout drill hole collar locations is currently in progress at the Sandenia prospect with two trenches completed (161m) and sampled during the quarter. Drill testing of priority targets is expected to commence in the coming months once a suitable drilling contractor is engaged.

### ***Rokel Iron Ore Project (100% interest)***

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds 13 granted exploration licences and 4 applications in Sierra Leone covering approximately 2,900km<sup>2</sup>. This land package covers 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 proximal to existing and planned infrastructure, and geologically similar to those at the Marampa Project.

One historical occurrence of specular hematite schist has been recorded on the licences located approximately 30km northwest of Lunsar. Cape Lambert geologists located a new occurrence 5km northeast of Lunsar (referred to as the Kumrabai prospect).

Processing and interpretation of the June 2011 regional high resolution magnetic and radiometric airborne survey has identified several potential targets under thin cover analogous to the Marampa and Kukuna deposits. Ground reconnaissance of these targets will commence in early February 2012.

Geological mapping and sampling, and an Induced Polarisation ground geophysical survey data completed in 2011 defined a north-trending linear anomaly striking over 7km at Kumrabai. Rock chip sampling of laterite containing clasts of hematite schist has returned grades of 39.1 to 57.7% Fe. Trenching, prior to scout drilling, is planned to start in February 2012.



### **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 7,018km<sup>2</sup> in the east of the Northern Territory, prospective for rock phosphate;
- 4 granted Exploration Licences totalling 2,500km<sup>2</sup> and 11 applications for Exploration Permits totalling 5,191km<sup>2</sup> 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 2,434km<sup>2</sup>, located 150km south of Mt Isa, prospective for large Mt Isa style base metal deposits under younger cover rocks.

A field reconnaissance of rock phosphate targets on the Northern Territory licences was conducted late in the December quarter. The targets were defined by interpretation of remote sensed data and regional geology focussing on the Georgina basin margin and interbasinal highs.

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 modelled depth to the prospective Mt Isa Inlier basement is approximately 200 to 500m. A high resolution, ground gravity geophysical survey comprising 4,086 measurement stations covering approximately 630km<sup>2</sup> was completed in October 2011. This survey was designed to more accurately define the depth to basement and to further elucidate drill targets for scout lithostratigraphic drilling planned for 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 850km<sup>2</sup>) and 11 applications for Exploration Permits (500km<sup>2</sup>);
- the established Mt Watson open pit located approximately 30km north of the Leichhardt process plant; and
- a mineral resource inventory of oxide, transitional and primary copper at the Mt Watson and Leichhardt deposits and at other satellite deposits<sup>2</sup>, and several targets that are prospective for oxide and primary copper deposits.

The Company’s objective for 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 (5-30km) (refer Figure 6) of the Leichhardt process plant by:
  - carrying out metallurgical test work of the transition materials in the existing mineral inventory beneath and extending from the Mt Watson open pit;
  - testing for extensions to the known deposits, and
  - defining and testing new targets.

<sup>2</sup> Refer Cape Lambert ASX Announcement dated 15 April 2011 for full details of the resource inventory.

- 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 Leichhardt process plant.

### **Metallurgical Testwork**

Preliminary results have been received for bacterially-assisted, bottle-roll leach testing of transition copper mineralisation from Mt Watson. Testing is being undertaken by HRL Testing Pty Ltd in Brisbane using sample composites of diamond drill core collected from along strike and beneath the existing Mt Watson open pit. The composite samples have total copper head grades in the range 0.54 to 1.17%. Initial progress results are encouraging with copper recoveries in the range of 58 to 75% being achieved.

Composite samples for bacterially-assisted column leach tests are currently being prepared, with testing to commence in the March 2012 quarter with column tests expected to be completed in the September 2012 quarter.

For confirmation purposes, several composite samples of oxide ore from Mt Watson were evaluated using bacterially-assisted bottle roll leach testing. These demonstrated excellent leaching characteristics with copper recoveries in the range of 80 to 92% from total copper head grades ranging from 0.38 to 1.71%.

### **Exploration**

Compilation and validation of the diverse historical exploration and mineral resource data for Leichhardt was completed in the quarter and identification and prioritisation of oxide copper targets within trucking distance of the Leichhardt process plant was commenced. Processing and interpretation of the July 2011 high resolution airborne geophysical survey data was also commenced in the quarter. Several prospective geochemical anomalies and structures have been identified related to known oxide copper occurrences and will be evaluated during 2012.

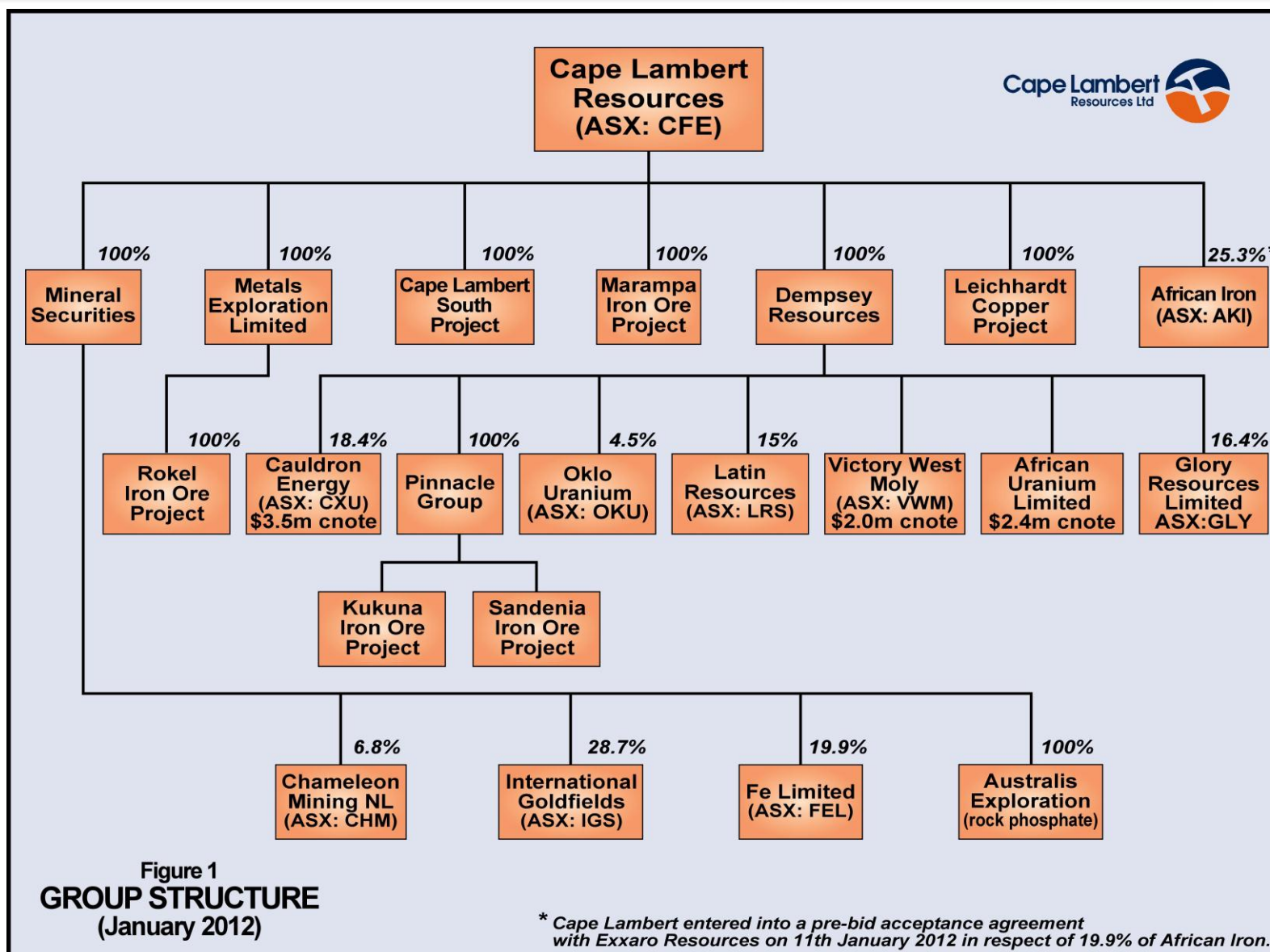
A total of nine trenches for 1,245 linear metres was completed on coincident >200ppm copper-in-soil anomalies and fault structures to the north of the Warwick Castle open pit and north of the Mt Stanley and Isabella prospects. These targets are previously untested. Sample results are expected in the March quarter 2012.

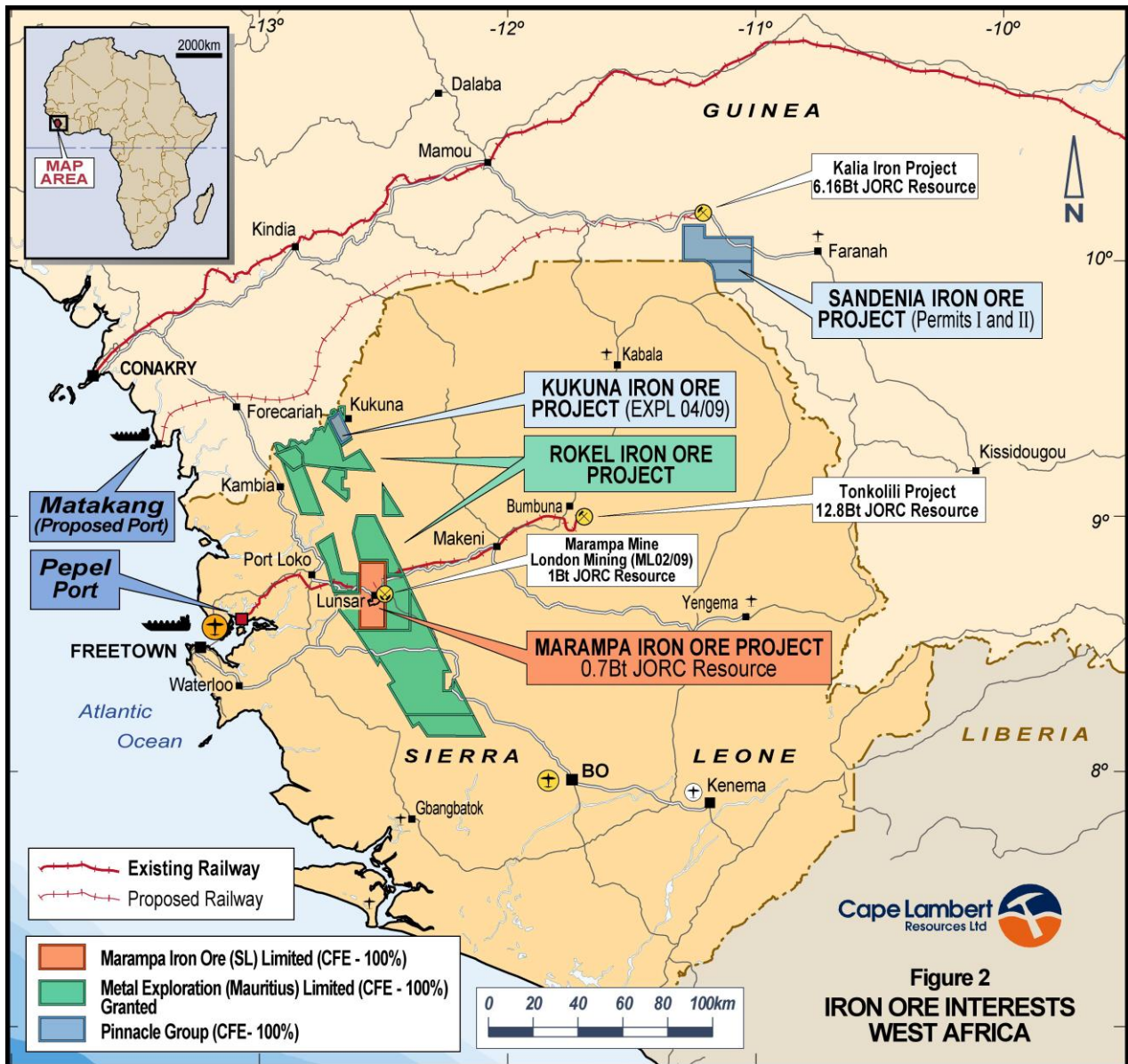
#### **Competent Person:**

*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.*

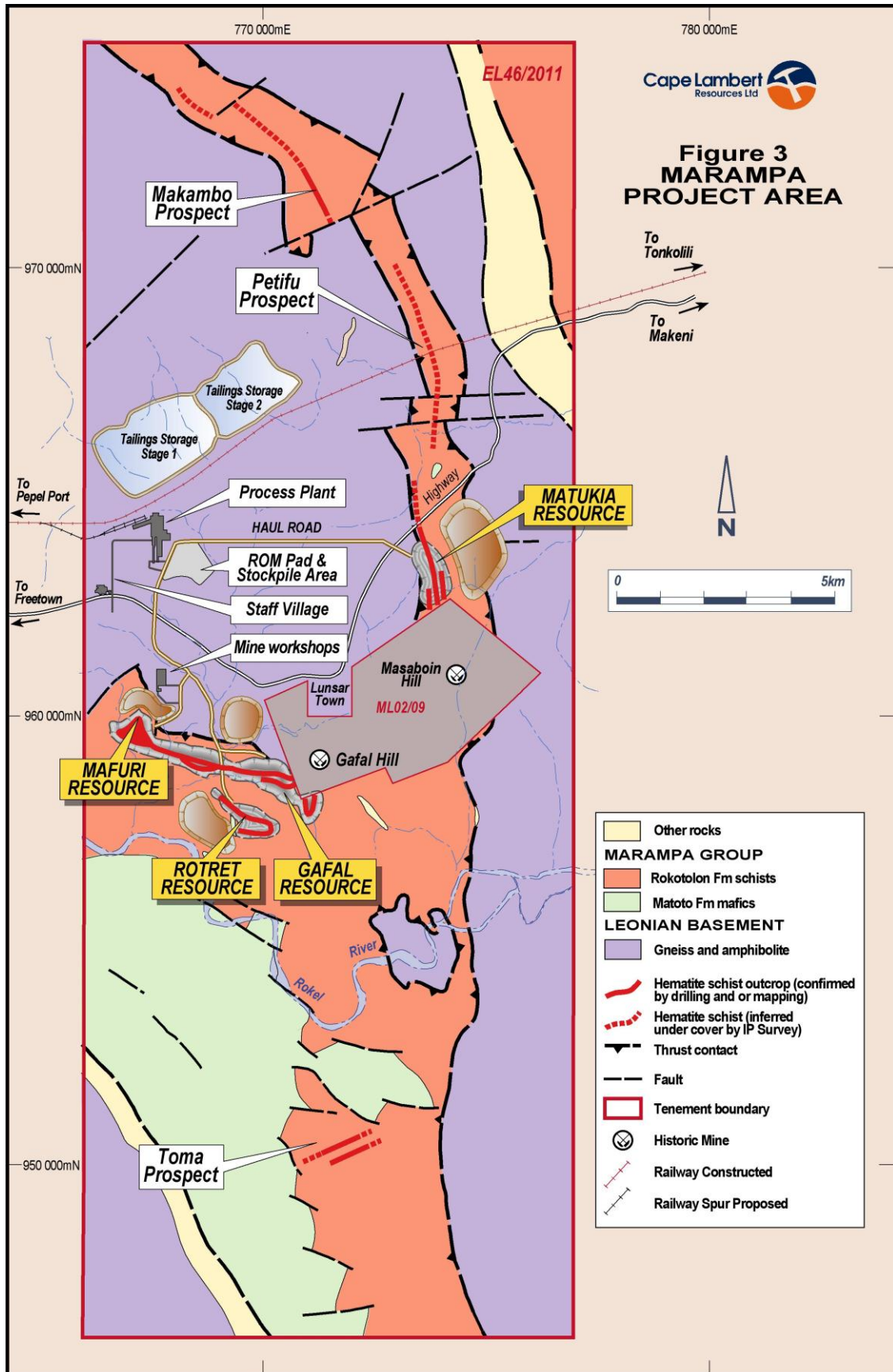
#### **Competent Person:**

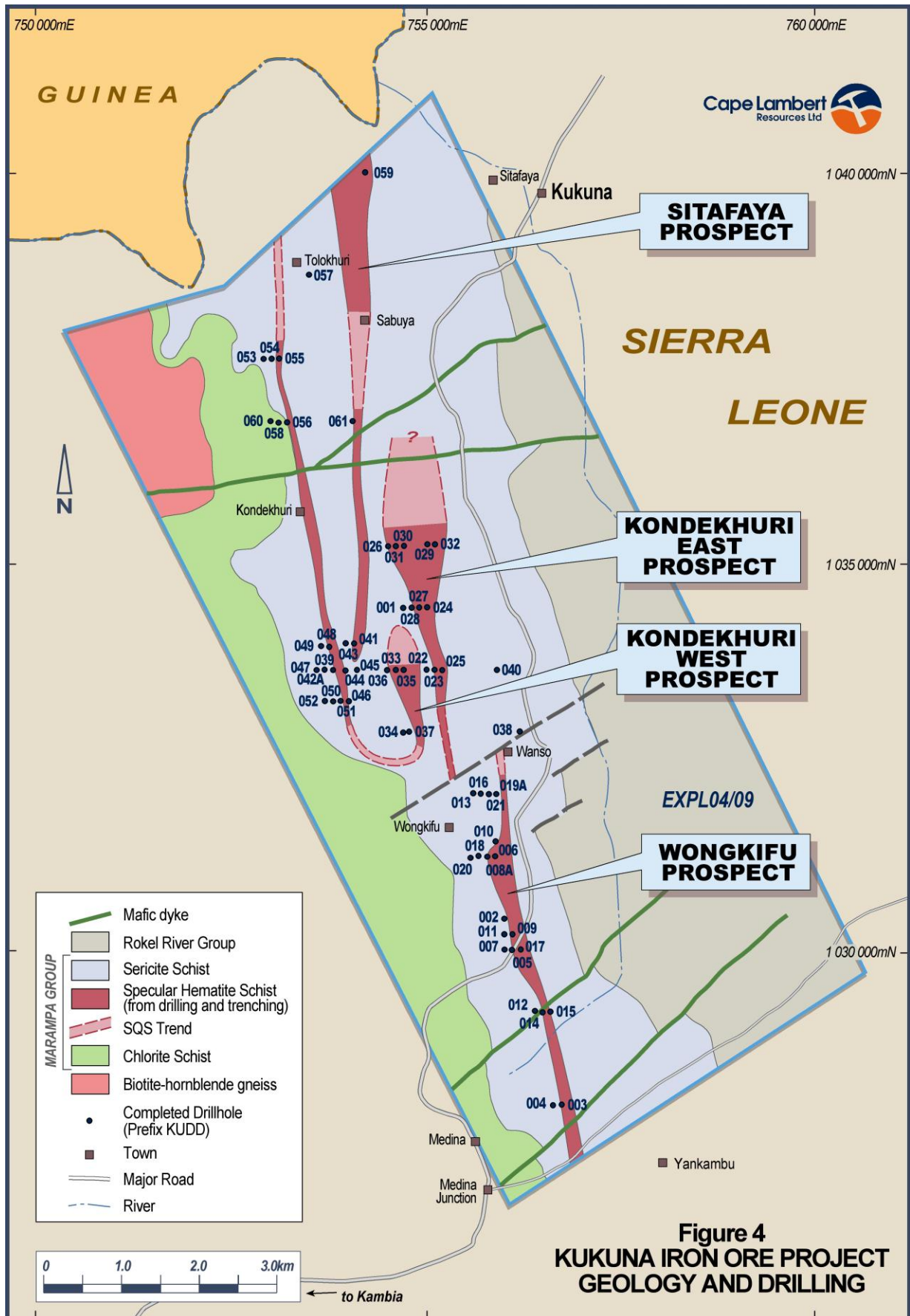
*The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr Mike Wort, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wort is a consultant to Cape Lambert and has sufficient experience which is relevant to 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 Wort consents to the inclusion in this report of the information in the form and context in which it appears.*





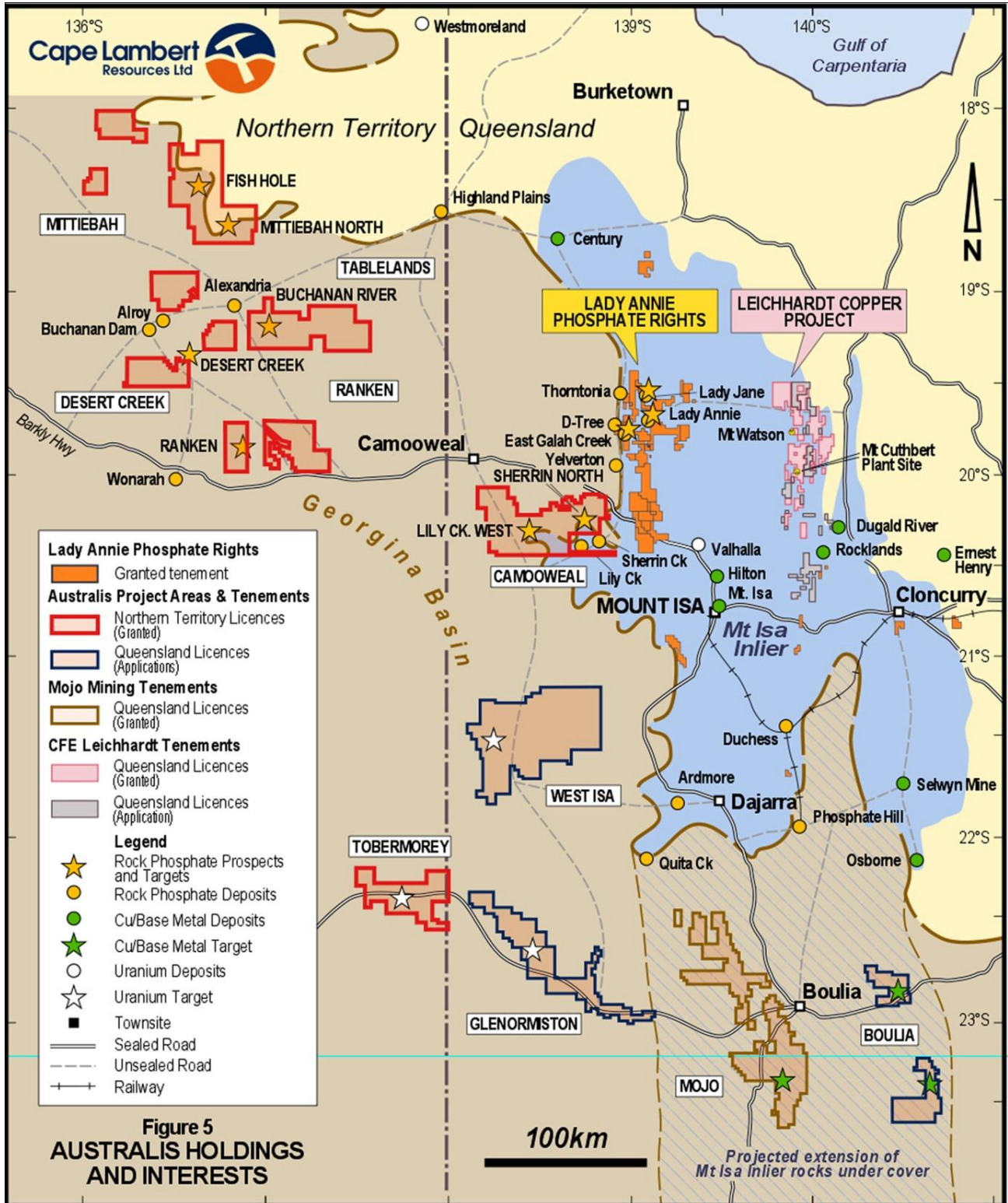






**Figure 4**  
**KUKUNA IRON ORE PROJECT**  
**GEOLOGY AND DRILLING**





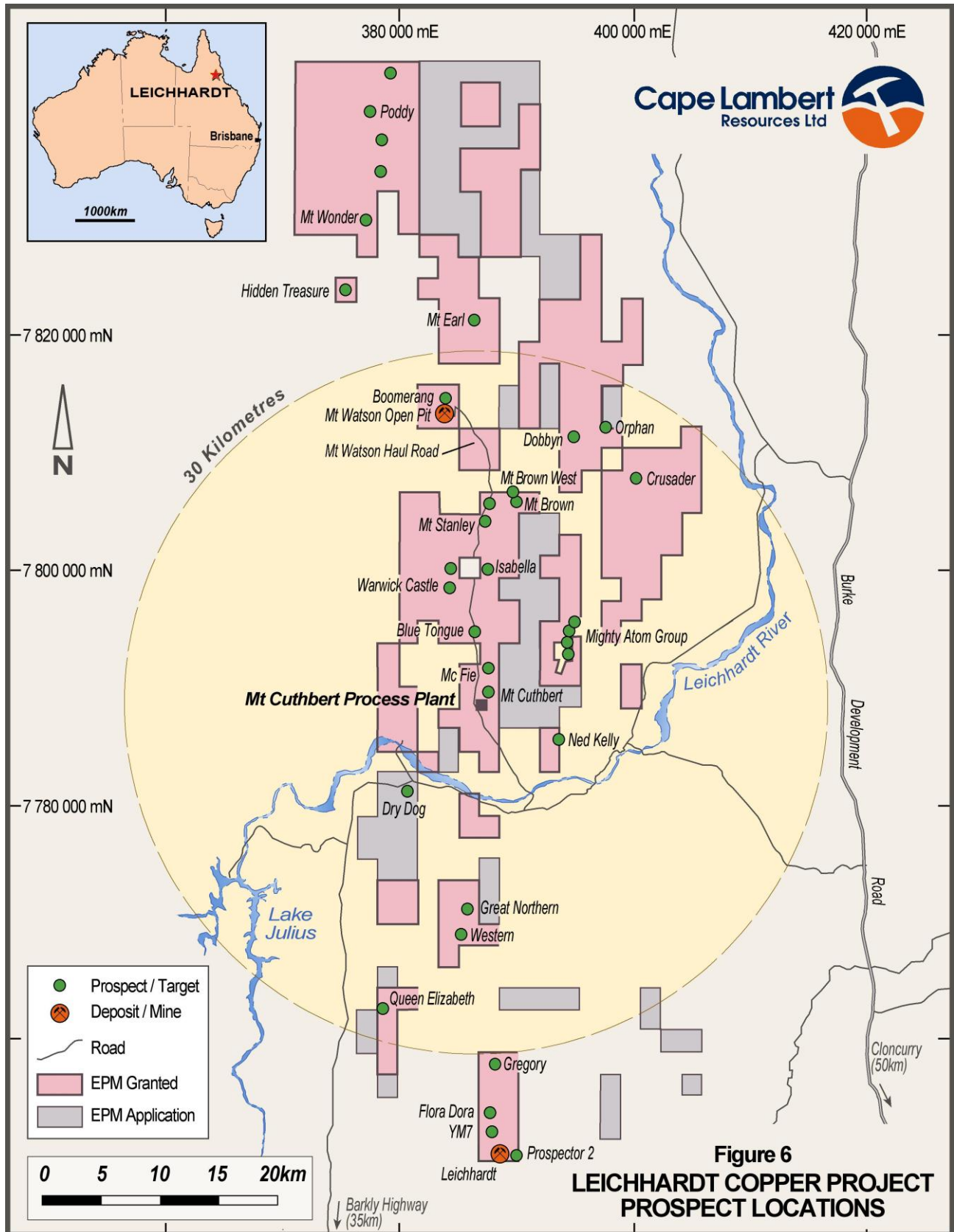


Table 1: Kukuna Diamond Drill Results (15% Fe cut-off)

Hole Details							Intersection			Head Assay						Oxidation State
Hole ID	Easting	Northing	RL	Dip	Azimuth	E.O.H.	From	To	Length	Fe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	P	S	LOI	
<i>UTM WGS84 Zone 28N</i>							<i>m</i>	<i>m</i>	<i>m</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	
KUDD001	754700	1034400	96	-50	90	243.1	160.0	172.0	12.0	16.3	8.9	56.9	0.26	0.00	2.1	Fresh
KUDD003	756742	1028003	92	-50	90	131.9	33.2	42.2	9.0	17.9	10.1	57.6	0.06	0.00	2.7	Oxide
							52.2	90.0	37.8	16.8	8.4	57.1	0.26	0.01	2.2	Fresh
KUDD004	756642	1027993	104	-50	90	182.8	128.0	138.0	10.0	18.0	8.2	54.7	0.27	0.00	2.2	Fresh
KUDD005	756099	1029995	111	-50	90	165.3	0.0	3.2	3.2	35.1	12.5	26.9	0.06	0.03	7.5	Laterite
							3.2	35.3	32.1	27.7	9.1	45.0	0.03	0.01	2.9	Oxide
							53.3	68.5	15.2	22.8	8.6	53.7	0.04	0.00	2.8	Oxide
							91.1	125.0	33.9	19.0	8.0	57.3	0.19	0.01	1.8	Oxide
KUDD006	755879	1031200	121	-50	90	188.6	0.0	19.4	19.4	31.0	12.4	34.7	0.06	0.02	5.0	Oxide
							37.4	72.0	34.6	22.1	7.8	53.6	0.24	0.00	2.1	Oxide
							72.0	130.0	58.0	23.1	6.6	49.8	0.24	0.00	2.6	Fresh
KUDD007	756006	1029998	108	-50	90	239.8	60.0	100.0	40.0	20.3	7.5	53.4	0.26	0.00	2.3	Fresh
							126.0	134.0	8.0	17.8	8.4	54.9	0.24	0.04	2.4	Fresh
KUDD008A	755782	1031199	104	-50	90	248.6	0.0	9.2	9.2	31.4	15.0	30.0	0.07	0.03	7.3	Oxide
							42.2	54.2	12.0	28.6	7.8	46.0	0.04	0.00	2.4	Oxide
							94.0	216.0	122.0	20.8	7.5	51.9	0.25	0.03	2.6	Fresh
KUDD009	756104	1030198	110	-50	90	152.1	0.0	64.0	64.0	29.0	8.4	43.7	0.09	0.01	2.6	Oxide
KUDD010	755886	1031398	127	-50	90	202.7	0.0	4.7	4.7	36.7	16.8	18.2	0.09	0.05	10.4	Laterite
							4.7	19.7	15.0	30.1	13.5	34.5	0.04	0.01	4.6	Oxide
							46.5	62.0	15.5	23.1	8.4	52.9	0.12	0.00	2.4	Oxide
							62.0	106.0	44.0	21.7	7.2	51.6	0.23	0.03	2.4	Fresh
							136.0	144.0	8.0	19.4	7.4	53.2	0.19	0.14	3.1	Fresh
KUDD011	756000	1030198	110	-50	90	232.4	29.3	44.3	15.0	17.8	9.6	59.4	0.03	0.00	2.6	Oxide
							57.0	84.0	27.0	23.3	7.1	50.0	0.29	0.00	2.2	Fresh
							94.0	110.0	16.0	24.8	6.4	47.9	0.28	0.00	2.5	Fresh
KUDD012	756401	1029200	121	-60	90	261.4	26.5	44.5	18.0	17.2	8.1	60.3	0.08	0.00	1.6	Oxide
							44.5	64.0	19.5	17.6	8.0	58.1	0.27	0.00	1.6	Fresh
KUDD013	755605	1032007	94	-60	90	293.2	110.0	122.0	12.0	13.2	9.0	62.2	0.09	0.00	1.5	Fresh
							206.0	216.0	10.0	25.5	6.9	45.4	0.18	0.00	3.2	Fresh
							280.0	293.2	13.2	20.0	8.7	50.9	0.23	0.28	2.4	Fresh

Hole Details							Intersection			Head Assay						Oxidation State
Hole ID	Easting	Northing	RL	Dip	Azimuth	E.O.H.	From	To	Length	Fe	Al <sub>2</sub> O <sub>3</sub>	SiO <sub>2</sub>	P	S	LOI	
	UTM WGS84 Zone 28N			Degrees		m	m	m	m	%	%	%	%	%	%	
KUDD014	756501	1029193	118	-60	90	213.7	0.0	8.2	8.2	34.3	15.5	24.9	0.08	0.03	7.2	Laterite
							8.2	50.2	42.0	21.2	9.8	53.2	0.07	0.00	2.8	Oxide
							50.2	64.0	13.8	17.7	9.0	56.7	0.30	0.01	2.2	Fresh
KUDD015	756598	1029197	117	-60	90	103.7	0.0	12.2	12.2	31.1	15.4	30.2	0.06	0.02	6.7	Oxide
KUDD016	755800	1031999	109	-60	90	266.1	26.1	44.1	18.0	24.1	7.5	48.8	0.30	0.00	5.0	Oxide
							44.1	54.0	9.9	24.3	7.0	49.0	0.22	0.00	2.7	Fresh
							138.0	150.0	12.0	18.9	8.2	50.2	0.21	0.76	2.8	Fresh
							138.0	150.0	12.0	18.9	8.2	50.2	0.21	0.76	2.8	Fresh
KUDD017	756207	1030000	113	-60	90	120.3	0.0	11.3	11.3	32.8	12.3	31.6	0.05	0.02	5.3	Laterite
							11.3	27.2	15.9	25.9	10.3	45.8	0.06	0.00	3.3	Oxide
							27.2	66.0	38.8	26.8	7.5	48.9	0.05	0.00	2.2	Fresh
							66.0	71.5	5.5	28.6	9.5	41.8	0.19	0.00	4.7	Oxide
							104.3	114.8	10.5	22.7	10.2	51.7	0.05	0.00	4.2	Oxide
KUDD018	755667	1031202	109	-60	90	338.2	0.0	18.8	18.8	23.1	12.8	45.5	0.04	0.01	4.5	Oxide
							116.0	126.0	10.0	19.3	7.8	52.7	0.28	0.01	2.5	Fresh
							134.0	182.0	48.0	20.6	7.0	52.3	0.28	0.00	2.6	Fresh
							188.0	268.0	80.0	21.3	7.1	50.7	0.27	0.02	2.5	Fresh
KUDD019A	755896	1032003	109	-60	90	194.0	68.0	92.0	24.0	22.7	6.9	50.3	0.25	0.22	2.3	Fresh
							100.0	144.0	44.0	18.2	7.8	54.4	0.19	0.01	2.5	Fresh
KUDD020	755564	1031179	101	-60	90	336.1	3.0	31.4	28.4	18.0	10.1	57.5	0.03	0.01	3.2	Oxide
							178.0	208.0	30.0	17.5	8.6	54.7	0.23	0.06	2.6	Fresh
							214.0	304.0	90.0	21.1	7.2	51.7	0.27	0.01	2.5	Fresh
KUDD021	755699	1032005	99	-60	90	344.1	140.0	148.0	8.0	26.3	6.5	45.6	0.22	0.00	2.6	Fresh
							214.0	232.0	18.0	19.6	7.7	52.4	0.24	0.08	2.1	Fresh
KUDD022	755000	1033598	94	-60	90	317.5	172.0	182.0	10.0	24.6	6.3	47.8	0.33	0.01	2.3	Fresh

**Notes:**

Sample intervals are 2m composites except where certain sample lengths were varied to fit lithological boundaries. Intersections are down hole lengths, not true widths. Minimum intersection 8m & maximum internal waste 5m. Chemical analysis by X-ray Fluorescence Spectrometry (XRF) by Ultra Trace Ltd, Canning Vale laboratory, Perth Australia. Hole collars surveyed by DGPS.



# 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

<b>CAPE LAMBERT RESOURCES LIMITED</b>
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ABN

71 095 047 920
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Quarter ended ("current quarter")

31 December 2011
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(8,313)	(18,232)
(b) development	-	-
(c) production & care & maintenance costs	-	-
(d) administration	(2,167)	(4,546)
1.3 Dividends received	-	-
1.4 Interest and similar items received	358	830
1.5 Interest and other costs of finance paid	(5)	(35)
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net operating cash flows</b>	<b>(10,127)</b>	<b>(21,983)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(5,100)	(9,350)
(c) other fixed assets	(1,089)	(1,524)
(d) controlled entity	-	(5,000)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	2,000
(c) other fixed assets	-	-
(d) controlled entities	-	-
1.10 Loans to other entities	(516)	(1,026)
1.11 Loans repaid by other entities	-	-
1.12 Other: Cash backing security for performance / other bonds & bank guarantees released	-	544
Other: Cash backing security for performance / other bonds & bank guarantees provided	-	(16)
Other: Payment of transaction related and business development costs	(2,692)	(4,211)
Other: Cash balances disposed on sale of subsidiary	(93)	(93)
<b>Net investing cash flows</b>	<b>(9,490)</b>	<b>(18,676)</b>

+ See chapter 19 for defined terms.

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

	Current quarter \$A'000	Year to date (12 months) \$A'000
1.13 <b>Total operating and investing cash flows (carried forward)</b>	<b>(19,617)</b>	<b>(40,659)</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	-	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: repayment of loans by external entity	32,661	32,661
<b>Net financing cash flows</b>	<b>32,661</b>	<b>35,001</b>
<b>Net (decrease) in cash held</b>	<b>13,044</b>	<b>(5,658)</b>
1.20 Cash at beginning of quarter/year to date	24,532	43,096
1.21 Exchange rate adjustments to item 1.20	(68)	70
1.22 <b>Cash at end of quarter</b>	<b>37,508</b>	<b>37,508</b>

+ 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

35,937,000 fully paid shares issued as deferred consideration for the acquisition of 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	6,500
4.2	Development	-
4.3	Production	-
4.4	Administration	2,500
<b>Total</b>		<b>8,500</b>

+ See chapter 19 for defined terms.

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

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**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	27,338	3,992
5.2	Deposits at call	10,170	20,540
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)		<b>37,508</b>	<b>24,532</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	No movements during the quarter		
6.2	Interests in mining tenements acquired or increased	No movements during the quarter		

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+ 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 <b>Preference +securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	688,108,792	688,108,792		
7.4 Changes during quarter (a) Increases through issues (b) Increases through exercise of share options (c) Decreases through returns of capital, buy-backs	35,937,000 - -	35,937,000 - -	- - -	- - -
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options</b> <i>(description and conversion factor)</i>	8,800,000	8,800,000	N/A	N/A
7.8 Issued during quarter	8,800,000	8,800,000		
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-	-	-
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-	-	-

+ 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 January 2012

## 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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