

31 January 2011

The Company Announcements Office
ASX Limited

Via E Lodgement

**Quarterly Operations Report and Appendix 5B for Period Ending
31 December 2010**

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
610,705,062

Unlisted Options
8,000,000 (\$0.45 exp 30 Sept 2011)

Board of Directors

Tony Sage Executive Chairman
Tim Turner Non-executive Director
Brian Maher Non-executive Director
Ross Levin Non-executive Director

Claire Tolcon
Company Secretary

Key Projects and Interests

Marampa Iron Ore Project
Pinnacle Group Assets
Sappes Gold Project
African Iron Limited
International Goldfields Limited

Cape Lambert Contact

Tony Sage
Executive Chairman

Eloise von Puttkammer
Investor Relations

Phone: +61 8 9380 9555

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)2079203150
Mobile: +44 (0)7788554035

HIGHLIGHTS

Corporate

- At 27 January 2011, the Company had approximately \$69 million in cash at bank.
- Sale of DMC Mining Limited for \$83 million (\$47 million cash plus shares) and a production royalty completed.
- Repayment of \$3.5 million convertible note by Continental Coal Limited.
- Federal Court Orders made in favour of strategic alliance partner, Chameleon Mining NL.
- Further non-core securities sold generating \$4.1 million cash in the quarter.
- On market buy back of up to 10% of the Company's fully paid ordinary shares commenced.
- Facility for sale of unmarketable parcels of shares established.
- Appointment of Claire Tolcon as Company Secretary.

Projects

Marampa Iron Ore Project

- Maiden JORC compliant Inferred Mineral Resource totalling 197 million tonnes at 28.5% iron, for the Gafal West and Matukia prospects. This represents approximately 20% of the mineralised strike identified at the Marampa Project. Resource update scheduled to be completed early in the June 2011 quarter.
- Scoping study for the establishment of a standalone, open pit mining operation and concentrator to produce 5Mtpa of hematite concentrate almost complete at quarter's end. Results expected to be announced to the market in early February 2011.
- Agreement amended with African Minerals Limited in respect to accessing on commercial terms the Marampa Railway and Pepel Port Infrastructure whereby the Marampa Project has secured 5Mtpa of transport capacity without the requirement to contribute capital to refurbishing this infrastructure.

Pinnacle

- Ground geophysics survey underway at Kukuna to prioritise drill targets within 15km of mapped strike.
- A high resolution, airborne magnetic geophysical survey flown over the Sandenia iron ore project shows several previously unexplored magnetic features, which will be followed-up with mapping and drilling.

Sierra Leone Regional

- Regional mapping has commenced of newly granted licences.

Sappes Gold Project

- Preliminary Environmental Impact Study for Sappes lodged with Ministry of Environment at the end of the December 2010 quarter marking the first key step in permitting for gold production.
- Feasibility study update completed. At an 8% discount rate and US\$1,200 per ounce gold price, the before tax net present value is approximately US\$160 million with a 39% internal rate of return and an equivalent cash operating cost of US\$297 per gold ounce.

Leichhardt Copper Project

- Drilling of the heap leach pads at Mt Cuthbert plant site commenced to define remaining recoverable copper.
- Drilling contractor engaged to drill diamond core into transition material at Mt Watson West Pit to enable a determination of the heap leach recovery of this material to be made.
- Offtake agreement signed with Glencore International AG for future Leichhardt oxide copper production of 100,000 tonnes of copper cathode or 10 years of production (whichever is later) at official LME Cash Settlement Price less a transport cost discount.

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, lead-silver-zinc 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.

Convertible Notes

Repayments

During the quarter, Continental Coal Limited (“**Continental**”) repaid its \$3.5 million convertible note to the Company.

Subscriptions

No convertible notes were subscribed for during the quarter.

Divestment of Non-Core Shareholdings

During the previous quarter, the Company reduced its non-core shareholding in Speewah Metals Limited (previously Niplats Australia Limited) from 39% to 8%, realising \$9.6 million. The shareholding has been further reduced to 3% as at 28 January 2011, realising a further \$2.1 million, of which \$1.3 million was received prior to 31 December 2010.

During the quarter, the Company divested its entire shareholding in Baobab Resources plc and Altona Mining Limited, realising \$0.9 million and \$1.4 million respectively. The Company also exercised 35,000,000 call options which were attached to the Continental convertible note and subsequently sold the shares, which generated \$0.5 million cash for the Company.

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 a Chamber Summons heard on 23 November 2010. Cape Lambert is confident that it will be successful in establishing that the final payment is due and payable by MCC.

Chameleon Mining

The strategic alliance entered into with Chameleon Mining NL (**ASX: CHM**) ("**Chameleon**") provided Chameleon with an injection of capital, operational funding and significant mining expertise. In exchange, Cape Lambert is entitled to a share of any of Chameleon's positive outcome from the Federal Court decision in respect of Murchison Metals Ltd and the ownership of the producing Jack Hills iron ore project.

In 2007, Chameleon commenced proceedings in the New South Wales Registry of the Federal Court against Murchison Metals Ltd and its related entities ("**Murchison**"), a former director and Mr Phillip Grimaldi ("**Grimaldi**") who was also a director of Murchison.

Chameleon's claim was that its former directors and Grimaldi were guilty of serious breaches of their fiduciary duties to Chameleon, through their involvement in a number of extraordinary transactions, for their personal benefit and for the benefit of Murchison.

On 20 October 2010, Justice Jacobson delivered his decision on the matter (refer Chameleon ASX announcement dated 20 October 2010) and on 15 December 2010, the Federal Court made Orders in favour of Chameleon, which crystallised the liability of Murchison and Grimaldi as found on 20 October 2010. The Orders confirmed Chameleon's claim that both Murchison and Grimaldi obtained funds from Chameleon in breach of their respective fiduciary duties or with knowledge of such breaches and used those funds in the acquisition of the Jack Hills iron ore project.

Chameleon's ASX announcement dated 15 December 2010 sets out (amongst other things) that:

- Chameleon will continue to take all steps to realise its Judgement against Grimaldi;
- it is Chameleon's view that the relief offered by His Honour to strip Murchison of the profits it made as a consequence of its breach of fiduciary duty and as a knowing beneficiary of the proceeds of such breaches is inadequate given the significant findings of fact in favour of Chameleon;
- Chameleon considers that it would be in the best interests of its shareholders to appeal against the limited remedies awarded against Murchison; and
- Chameleon will seek leave to appeal on or before 1 February 2011.

On Market Buy-Back

During the quarter, Cape Lambert commenced an on market share buy-back of up to 10% of the Company's fully paid ordinary shares ("Shares") (54,059,653 Shares) within the 12 months from 7 October 2010. Shares that are bought back by the Company are subsequently cancelled.

Patersons Securities Limited has been appointed by Cape Lambert to act as broker to the on market buy-back.

Since the on market buy-back commenced, the Company has paid \$14,021,515.18 to buy back 26,645,407 Shares. As at 31 January 2011, there are 27,414,246 Shares remaining that may be bought back by the Company under this facility.

Sale of Unmarketable Parcels of Shares

During the quarter, Cape Lambert established a sale facility for unmarketable parcels of Shares.

An unmarketable parcel is a parcel of Shares valued at less than \$500 as at the close of trade on 26 October 2010 ("Record Date").

On the Record Date, the Company had 463 shareholders holding less than a marketable parcel of Shares representing 325,686 Shares.

After following the prescribed notice periods and provision of notices to those shareholders, the Company completed the sale process in January 2011 and 178,836 Shares were sold on market on behalf of the shareholders of unmarketable parcels of Shares.

Sale of DMC Mining

On 5 November 2010, Cape Lambert announced that it had entered into a heads of agreement to sell 100% of its wholly owned subsidiary DMC Mining Limited ("DMC Mining"), to Stirling Minerals Limited ("**Stirling**").

The principal asset of DMC Mining is its 80% interest in the Mayoko Iron Ore Project in the Republic of Congo ("**Mayoko Project**").

The sale of DMC Mining to Stirling completed on 10 January 2011 and Stirling changed its name to African Iron Limited ("**African Iron**"), which was readmitted to official quotation on ASX on 14 January 2011, under the code AKI.

The consideration paid to Cape Lambert for the sale of DMC Mining comprised:

- (a) \$47 million in cash; and
- (b) 120 million shares in African Iron, which are escrowed for a period of 12 months from the date of issue (being 10 January 2011) representing a 25% interest in African Iron.

In addition, Cape Lambert is entitled to a royalty of \$1 per tonne of iron ore shipped (whether direct ship ore ("**DSO**"), beneficiated DSO or magnetite concentrate) from the Mayoko Project.

Cape Lambert executives Tony Sage and Joe Ariti have now joined the board of African Iron.

Change in Company Secretary

Ms Claire Tolcon was appointed as Company Secretary and in house legal counsel with effect from 1 December 2010.

Ms Tolcon has over 12 years' experience in the legal profession, primarily in areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining resources. Claire was a partner of a corporate law firm for a number of years before joining the Company. Ms Tolcon holds a Bachelor of Laws and Bachelor of Commerce (Accounting) degree and is a member of FINSIA.

PROJECTS

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

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

Eight prospects hosting hematite schist mineralisation have been identified at Marampa (refer Figure 3). As at 31 December 2010, a total of 24,749m of diamond and reverse circulation (“RC”) drilling has been completed at Marampa comprising resource drilling at Matukia and Gafal West and initial drilling at the Mafuri, Rotret and Petifu prospects.

Drilling

Resource definition drilling on 200m and 100m spaced sections was completed at the Matukia and Gafal West prospects (refer Figure 3). A total of 16 diamond drill holes for 3,330m and 35 RC holes for 3,663m were drilled in the December 2010 quarter. The drilling at Gafal West has indicated iron enrichment in the oxide zone not covered by drilling prior to October 2010 and has increased confidence in the location of the specular hematite schist in the faulted fold at the east end of the prospect.

First-pass drilling commenced on selected 400m sections at the Mafuri and Rotret prospects (refer Figure 3). The Mafuri prospect is located along strike to the west of Gafal West and comprises a 2.5km long zone of outcropping hematite schist. Rotret is located 1km south of Gafal West and comprises a 1.7km long zone of outcropping hematite schist. A total of 1,919m of diamond and 849m of RC drilling in 19 holes was completed at these prospects during the quarter with several holes intersecting thick units of hematite schist mineralisation.

A total of 324m of PQ diameter diamond drilling in four holes was completed at Matukia (two holes) and Gafal West (two holes) for metallurgical test work. These samples were freighted to Amdel Laboratories in Perth.

Resource Estimate

A maiden JORC compliant Inferred Mineral Resource estimate incorporating all drilling information to 1 October 2010 for the Gafal West and Matukia prospects was completed by independent mining consultants, Golder Associates. The maiden Inferred Resource totalled 197 million tonnes at 28.5% iron, representing approximately 20% of the drilled mineralised strike identified at Marampa (refer ASX announcement 12 November 2010 for details).

The Company is scheduled to complete a resource update early in the June 2011 quarter.

Rail and Port Infrastructure

Marampa is connected to the deep water port, 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.

Further to negotiations between the Company and African Minerals, and with the Company having been granted the option to increase transport capacity to 5Mtpa, Cape Lambert will

not be exercising its right to buy in to the Marampa Infrastructure, but will take up its right to access the transport infrastructure, under the following terms:

- African Minerals will provide 3rd party access rights to Cape Lambert on commercial terms to transport up to 2Mtpa of the Company's iron ore production from its Marampa mine on the Marampa Infrastructure, using African Minerals' stockyard;
- Cape Lambert will have an option to increase this transport capacity to 5Mtpa once African Minerals' Tagrin Infrastructure Facilities are in full operation;
- any extension required to construct the "spur" to the Marampa Infrastructure linking Cape Lambert's operation at Marampa to the current route of the Marampa railway will be at the Company's cost;
- Cape Lambert will be responsible for sourcing its own rolling stock and locomotives; and
- the parties will enter into good faith negotiations to finalise and execute full form legal agreements reflecting the commercial and legal terms as set out above.

Metallurgy

Metallurgical test work on two run-of-mine composite samples from the Matukia and Gafal West prospects was completed, with excellent results achieved. The test work was conducted at a primary grind of 80% passing 440 µm with roughing, cleaning and re-cleaning wet high intensity magnetic separation ("WHIMS") stages, with middling fractions reground to 100% passing 250 µm, followed by WHIMS cleaning and re-cleaning stages. Results of the testing are shown in Table 1.

Table 1: Results of Metallurgical Test Work

Composite	Head Grade % Fe	Final Product Grades					Mass Recovery %	Iron Recovery %
		% Fe	% SiO ₂	% Al ₂ O ₃	% S	%P		
Matukia	32.8	65.7	2.78	0.91	0.00	0.01	43.3	83.9
Gafal West	35.3	64.0	3.72	1.13	0.00	0.01	42.8	84.9

High concentrate iron grades (~65% Fe), mass and iron recoveries were achieved (43% and 84% respectively).

Environmental Impact Study

SRK Consulting (UK) Limited ("**SRK**") completed an environmental scoping study for Marampa, which has defined the framework and steps required to permit the project for production.

Ecorex Ecological Consultants CC completed an ecological survey of the project area during the quarter. Further studies will be undertaken during the dry season of 2011.

SRK has been engaged to manage the studies required for a full environmental and social impact study, which will commence in early 2011.

Scoping Study

At the end of the quarter, Bateman Engineering Pty Ltd ("**Bateman**") had almost finalised a scoping study for the establishment of a standalone, open pit mining operation and concentrator to produce 5Mtpa of hematite concentrate.

Results of the scoping study are expected to be announced to the market early in February 2011.

Pinnacle Group Assets Limited (37.2% interest and Manager) (“Pinnacle”)

Cape Lambert is the Manager of Pinnacle and funds its working capital. The working capital funding is provided through a mezzanine debt structure, which at Cape Lambert’s election can either be repaid or converted into equity.

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 (refer Figure 2). The licence lies 70km due north of the existing Marampa railway.

The Kukuna licence straddles the eastern boundary of the Neoproterozoic Rokel-Kasila Belt and contains rocks correlated with the Marampa Group, which host the specular hematite schist iron mineralisation at Marampa.

Line clearing was completed and an extensive ground IP geophysical survey commenced on 18 January 2011. This survey is designed to refine and prioritise drill targets over 15km of prospective strike identified by the regional mapping completed in the September 2010 quarter.

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 Project**”) (refer Figure 2).

Interpretation of data from the airborne magnetic geophysical survey completed in the September 2010 quarter revealed a group of previously unidentified magnetic anomalies in the central part of the project area, within an area of approximately 4km by 10km. Geophysical modelling indicated an aggregate strike length of up to 10km for these magnetic bodies.

Follow up regional geological mapping at the Sandenia Project was completed in December 2010 by SRK. Geological mapping of the few outcrops confirmed that the central magnetic anomalies are associated with magnetite iron mineralisation; with much of the area covered by thick laterite. The presence of strike ridges of magnetite Banded Iron Formation mineralisation identified by previous explorers in the eastern and western part of the project area was also confirmed.

Prospect mapping and sampling of the central anomalies and laterite will commence in the March 2011 quarter.

Sierra Leone – Regional Exploration

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert holds a land package of granted licences and applications in Sierra Leone covering more than 2,800 km² of the region to the north and south of Marampa prospective for the discovery of new iron ore deposits similar to Marampa (refer Figure 2).

Regional geological mapping was completed on the Marampa East Reconnaissance Licence (“RL”) and was commenced on the Gbinti West RL. The geological mapping at Marampa East has identified two drill targets named Kumrabai and Kumrabai East located 7km and 8km northeast respectively of Lunsar. Mapping at the Kumrabai target (refer Figure 3) extended the possible strike from 2km to 7km and located a new target of approximately 3km strike further to the east.

Due to the promising results to date from this initial regional work a total of 17 applications for Exploration Licences (“EL”) were submitted in the quarter covering the areas of the granted RLs (917km²) and RL applications (1,942km²). A granted exploration licence is required for the purpose of trenching and drilling works.

An airborne magnetic survey of the granted Reconnaissance Licences and application areas is scheduled to be flown in the March 2011 quarter.

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 operations at Sappes, to enable its sale with a significant portion of the permitting discount removed.

Sappes’ development is based around the high-grade, underground Viper deposit and an open pit nearby at the St Demetrios deposit. Updating the existing feasibility study was completed during the quarter, which enabled the Preliminary Environmental Impact Statement to be lodged with the Ministry of Environment.

Feasibility Study

The Sappes feasibility study was updated in the quarter to reflect an updated gold price and a revision in the ore reserves and costs. The last comprehensive update was in 2003. Summary results are shown in Table 2.

Table 2 Sappes Project Feasibility Study Results

Item	Parameter	Units	Results
	Development Period	years	<2
	Mine Life	years	7
Overall Production			
	Gold	ozs	509,538
	Silver	ozs	249,801
	Copper	tonnes	3,026
Sale Prices			
	Gold	US\$/oz	1,200.00
	Silver	US\$/oz	17.50
	Copper	US\$/lb	3.00
Costs			
	Capital	US\$ '000s	92,066
	Sustaining Capital	US\$ '000s	9,875
	Cash Operating Cost	US\$/oz gold	297
	Total Cash Operating Cost	US\$/oz gold	474
	LOM Cash Operating Cost	US\$ '000s	151,318

	LOM Total Cash Operating Cost	US\$ '000s	162,889
Revenue			
	Gold	US\$ '000s	611,446
	Silver	US\$ '000s	4,372
	Copper	US\$ '000s	20,016
Life of Mine Cashflow			
	Operating	US\$ '000s	404,562
	Net Operating	US\$ '000s	337,591
Economics			
	Discount rate	%	8.0
	NPV (before tax)	US\$ '000s	158,591
	Internal Rate of Return (before tax)	%	39%
	NPV (after tax)	US\$ '000s	112,350
	Internal Rate of Return (after tax)	%	32%
	Payback Period	Years	<3

Ore Reserves

The Ore Reserve for the Viper deposit was updated by AMC Consultants Pty Ltd during the quarter using a nominal gold price of US\$1,200/oz. The previous Viper Ore Reserve was estimated at a gold price of US\$300/oz. This revision represents an increase in the total Probable Ore Reserve for the Viper deposit of 308,000 tonnes at 6.1 g/t gold (60,000 ounces of contained gold). The updated Ore Reserves for Sappes are shown in Table 3.

Table 3 Sappes Statement of Ore Reserves

Orebody	Category	Cut-Off Grade (g/t)	Tonnes	Grades			Ounces of Gold
				Au(g/t)	Ag (g/t)	Cu (%)	
St Demetrios	Proved	1.0	200,000	3.5	5.2		23,000
	Sub-Total		200,000	3.5	5.2		23,000
Viper	Probable	4.0	1,109,000	17.2	8.8	0.31	614,000
St Demetrios	Probable	1.0	10,000	3.6	4.4		1,000
	Sub-Total		1,119,000	17.1	8.8		615,000
Rounded	Total		1,319,000	15.1	8.2	0.26	638,000

Permitting

The Company's environmental consultant completed the preparation of the Preliminary Environmental Impact Study ("PEIS"), which was lodged with the Ministry of Environment in December 2010. Lodgement of the PEIS marks the first key step in the permitting process. The Company is targeting mid-2011 to have the PEIS approved. Additional technical studies that will be required for preparation of a full Environmental Impact Study have commenced.

Australis Exploration Pty Ltd (100% interest) ("Australis")

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

- the exclusive rights to explore for and retain any value associated with rock phosphate on the tenements held by Cape Lambert Lady Annie Exploration Pty Ltd;

- ten granted Exploration Licences totalling 13,900km² in the eastern Northern Territory;
- 15 applications for Exploration Permits totalling 7,690km² in north west Queensland, and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted Exploration Permits totalling 3,609km², located 150km south of Mt Isa.

Regional mapping of the areas prospective for rock phosphate in the Northern Territory is scheduled to commence in the March 2011 quarter.

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

The Leichhardt Copper Project, which is currently on care and maintenance, is located approximately 100km northeast of Mt Isa in the highly prospective Mt Isa Inlier (refer Figure 5) and comprises:

- the Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility with installed capacity of 9,000 tpa of copper cathode;
- a package of 43 granted tenements of approximately 850km² and 11 Exploration Permit applications for an additional 500km²;
- the established Mt Watson oxide, open pit located approximately 30km north of the Leichardt process plant, and
- a total Measured, Indicated and Inferred Mineral Resource of oxide and transitional copper mineralisation of 8.2Mt at approximately 0.9% Cu (total contained copper of approximately 77,000 tonnes) at the Mt Watson and satellite deposits¹.

Drill testing of the heap leach pads at the Mt Cuthbert plant site to determine the remaining copper inventory commenced on 20 January 2011.

Planning and resourcing was completed for a diamond drilling program within the Mt Watson West Pit to provide sufficient material to conduct leach column test work on the transitional copper ore. The total Measured, Indicated and Inferred transitional Mineral Resources at Mt Watson is 2.65 million tonnes at 0.8% Cu¹. Drilling is scheduled to start early in February 2011.

During the quarter, an offtake agreement was signed with Glencore International AG for future oxide copper production of 100,000 tonnes of copper cathode or 10 years of production (whichever is later) at the official LME Cash Settlement Price less a transport discount. There is currently no offtake in place for future sulphide copper production.

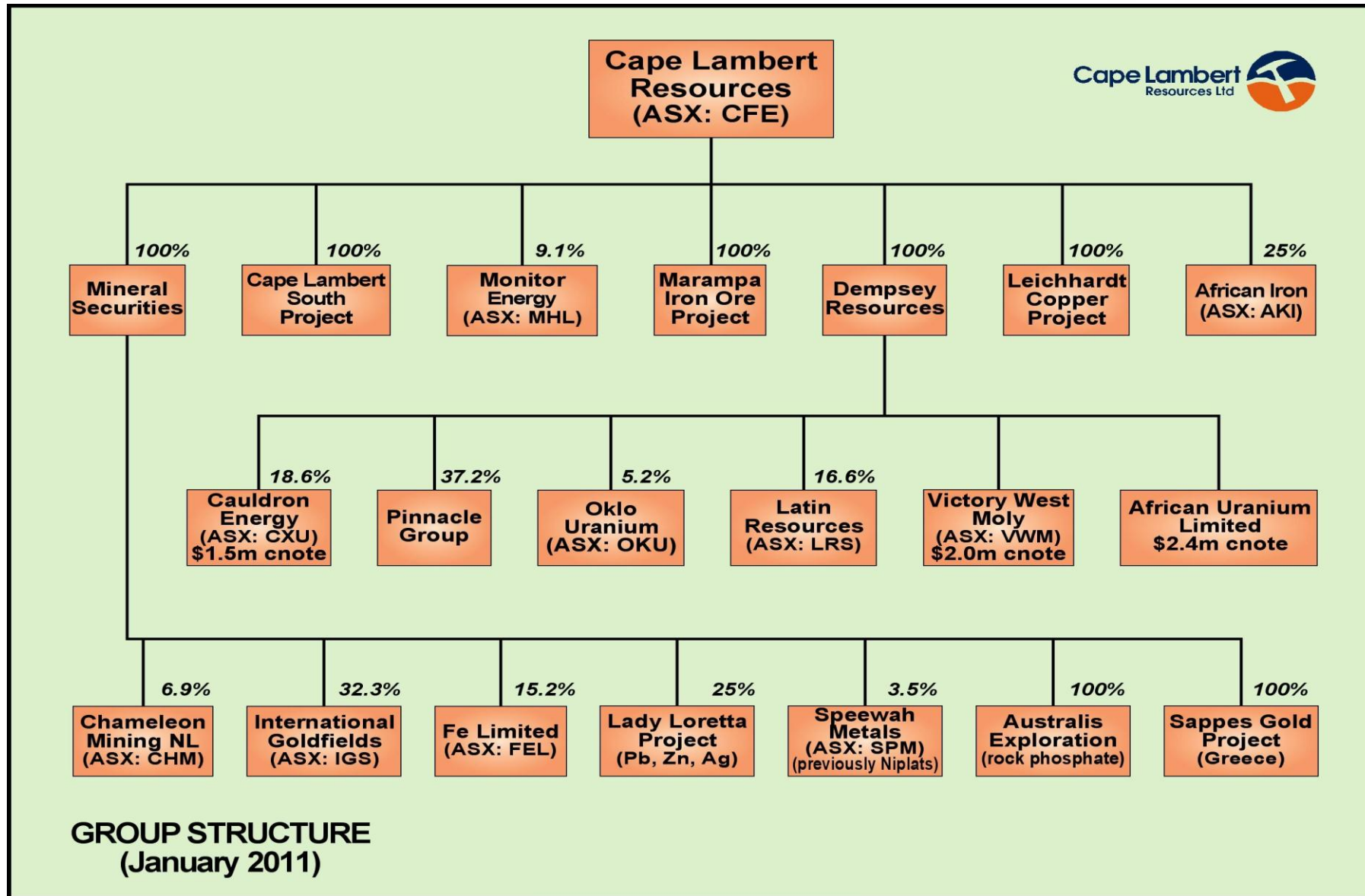
Competent Person:

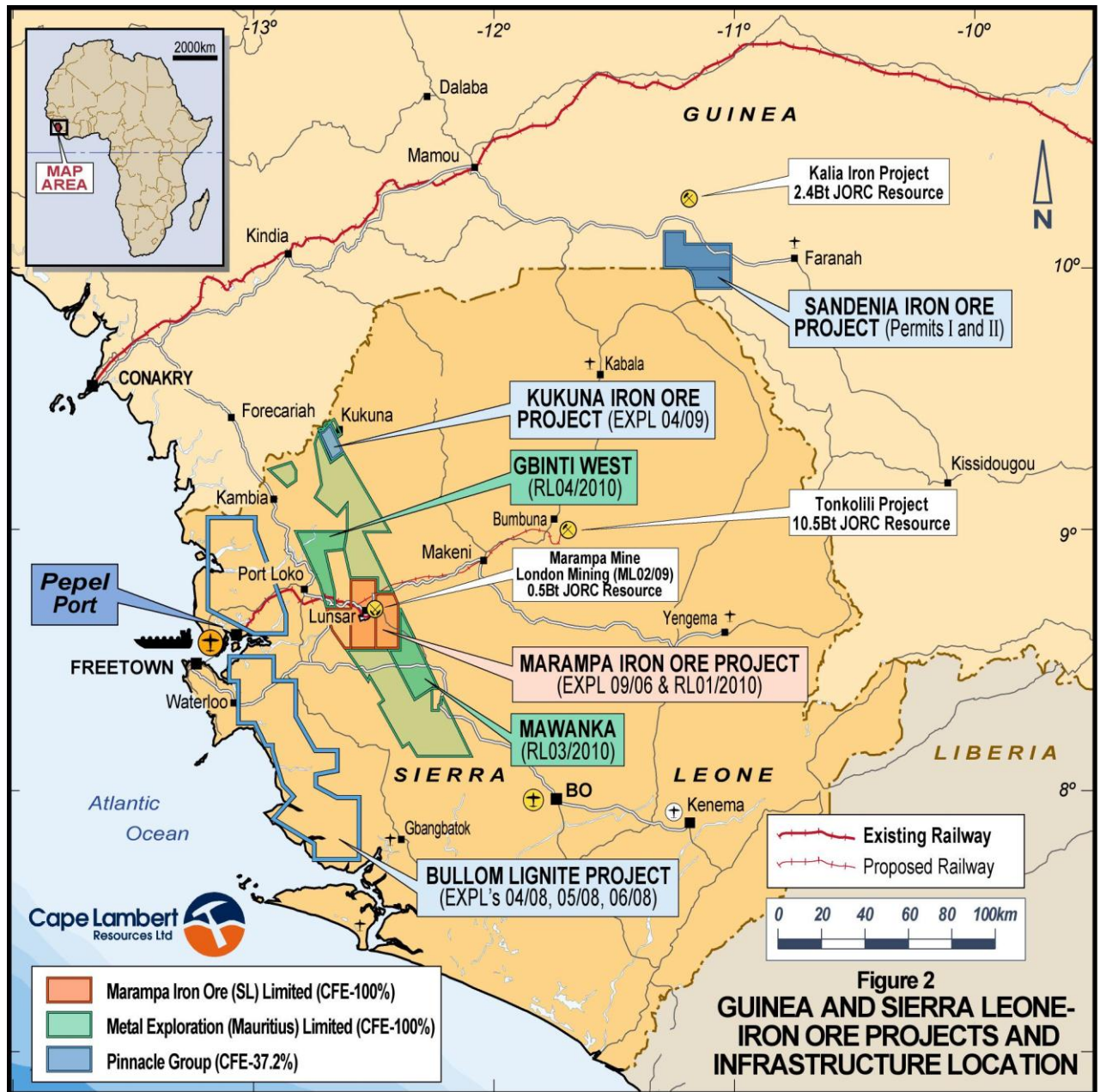
The contents of this report relating to exploration results, Mineral Resources and Ore Reserves are based on information compiled by Kim Bischoff, a Member of the Australasian Institute of Mining and Metallurgy. Mr Bischoff is a consultant to Cape Lambert and has sufficient experience relevant to the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

¹ Refer Matrix Metals Limited, 2008 Annual Report lodged with ASX on 28 October 2008.





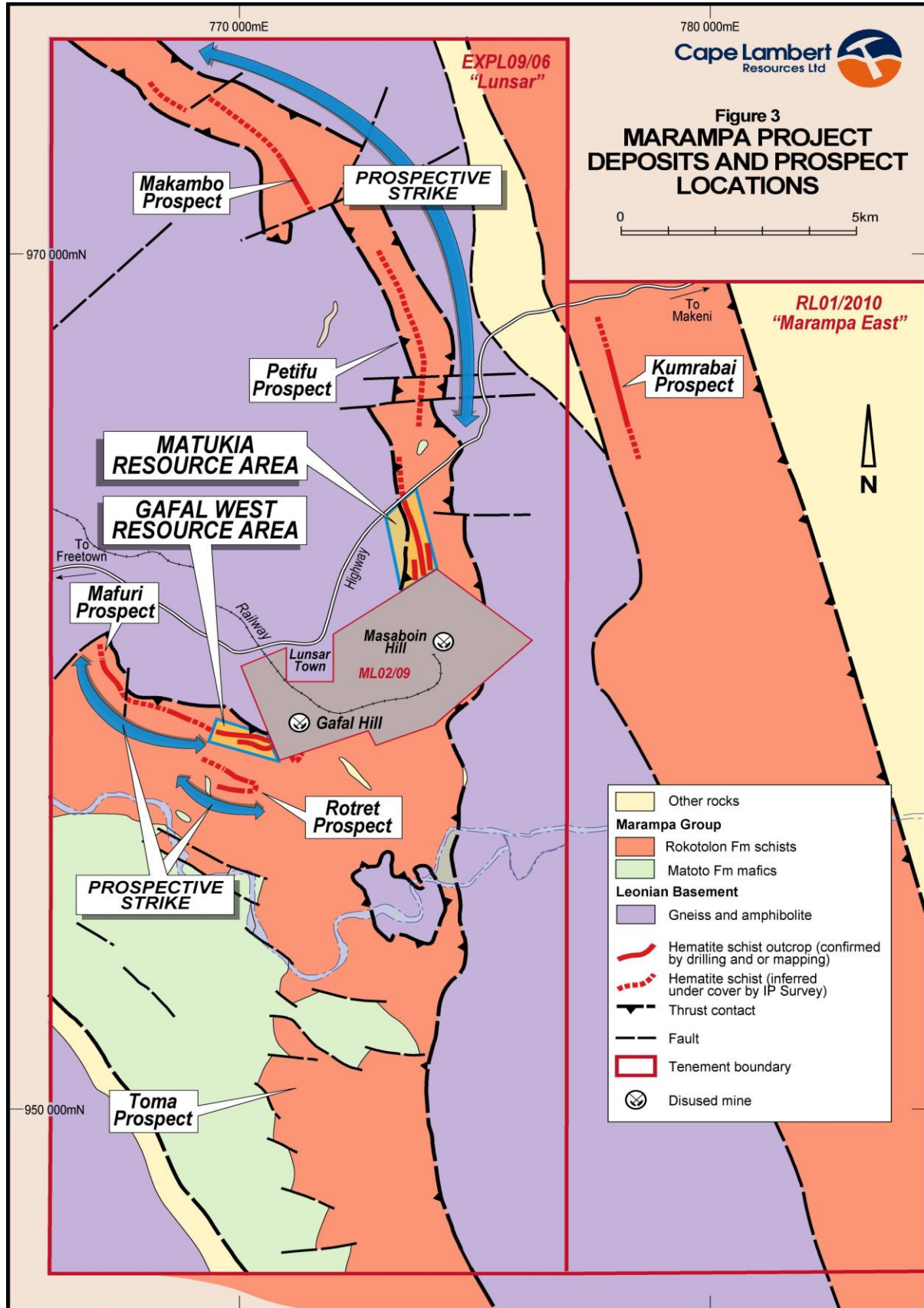
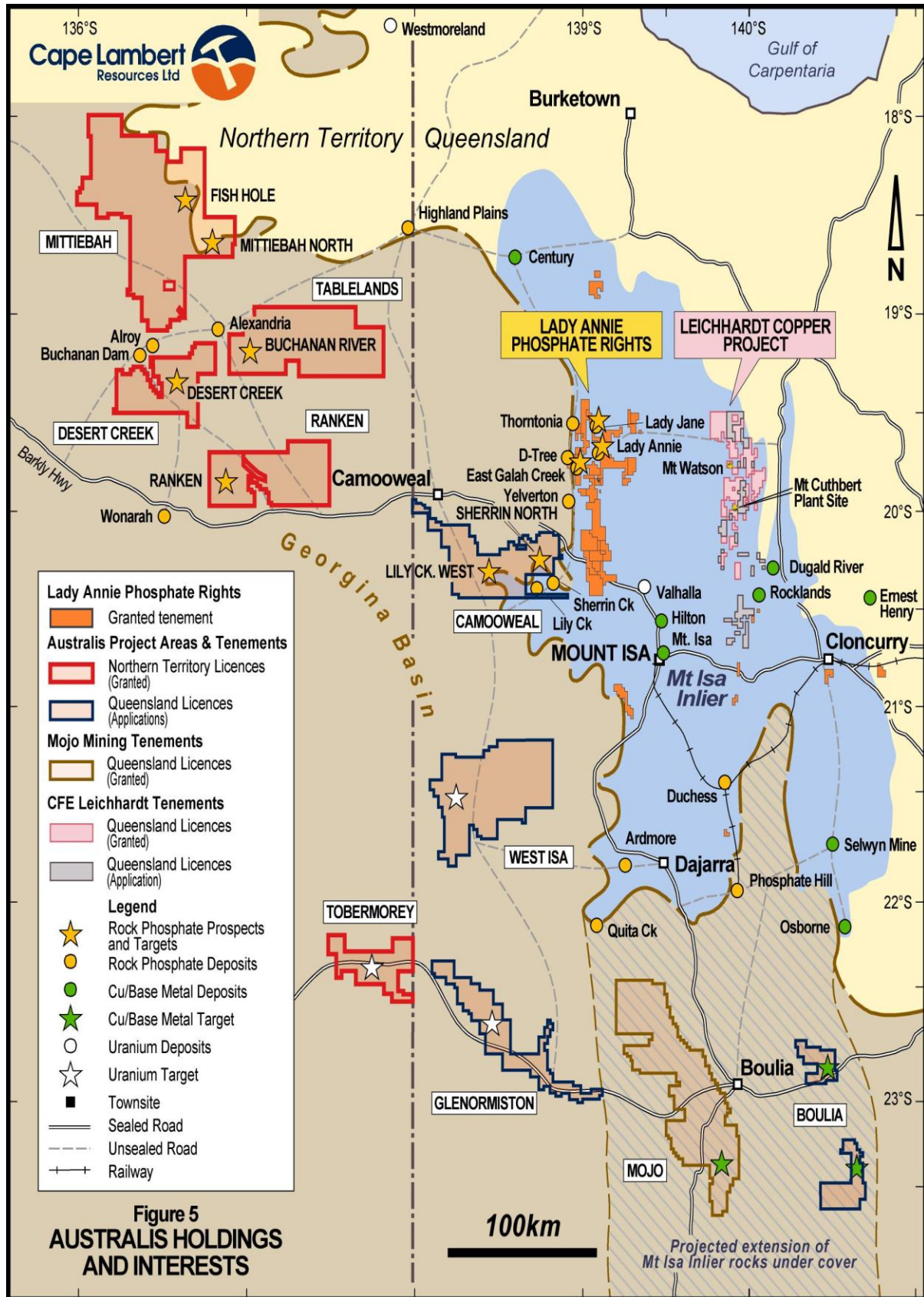




Figure 4
 SAPPES GOLD PROJECT-
 LOCATION



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")

31 December 2010

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(5,479)	(8,312)
(b) development	-	-
(c) production & care & maintenance costs	-	-
(d) administration	(2,866)	(6,712)
1.3 Dividends received	-	-
1.4 Interest and similar items received	779	2,232
1.5 Interest and other costs of finance paid	(36)	(38)
1.6 Income taxes paid	(1,612)	(1,612)
1.7 Other	-	-
Net Operating Cash Flows	(9,214)	(14,442)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects (Leichhardt Copper Project)	-	(6,651)
(b) equity investments	(5,131)	(9,402)
(c) other fixed assets	(217)	(505)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	9,945	9,945
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	2,187
1.12 Other: Payments pursuant to takeover offer	-	(32,368)
Other: Proceeds from sale of interest in associate	1,311	10,945
Other: Payment for investment in associate	(98)	(98)
Other: Repayment of convertible notes	3,500	5,740
Other: Cash backing security provided for performance / other bonds & bank guarantees	(1,609)	(3,881)
Other: Restricted cash balances released	-	179
Other: Loan to associate	(512)	(2,025)
Other: Loan to related entity	(3,994)	(3,994)
Other: Provision of loan facility	-	(6,500)
Other: Payment of transaction related costs	(661)	(2,011)
Net investing cash flows	2,534	(38,439)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (carried forward)	(6,681)	(52,882)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
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	(6,153)	(6,153)
	Net financing cash flows	(6,153)	(49,956)
	Net (decrease) in cash held	(12,833)	(102,837)
1.20	Cash at beginning of quarter/year to date	45,705	135,709
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter	32,872	32,872

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

N/A

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	-	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	4,000
4.2	Development	-
4.3	Production	-
4.4	Administration	3,000
Total		7,000

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	32,872	45,705
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)		32,872	45,705

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	E77/1158	100%	-
		E77/1167	100%	-
6.2	Interests in mining tenements acquired or increased	Marampa Iron Ore (SL) Limited : Reconnaissance licence RL01-2010	-	100%
		Metals Exploration (Mauritius) Limited : Reconnaissance licence RL003/2010	-	100%
		Metals Exploration (Mauritius) Limited : Reconnaissance licence RL004/2010	-	100%

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	612,870,827*	580,278,038		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(12,888,429)	(12,888,429)	-	-
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>	Unlisted exercisable at \$0.45 on or before 30/09/11	Nil	N/A	N/A
7.8 Issued during quarter	8,000,000	Nil		
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>				

* A further 3,847,653 shares were bought back between 20 December 2010 (date Form 484: Cancellation of Shares lodged with ASIC) and 31 December 2010.

+ 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 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.

== == == == ==