



PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

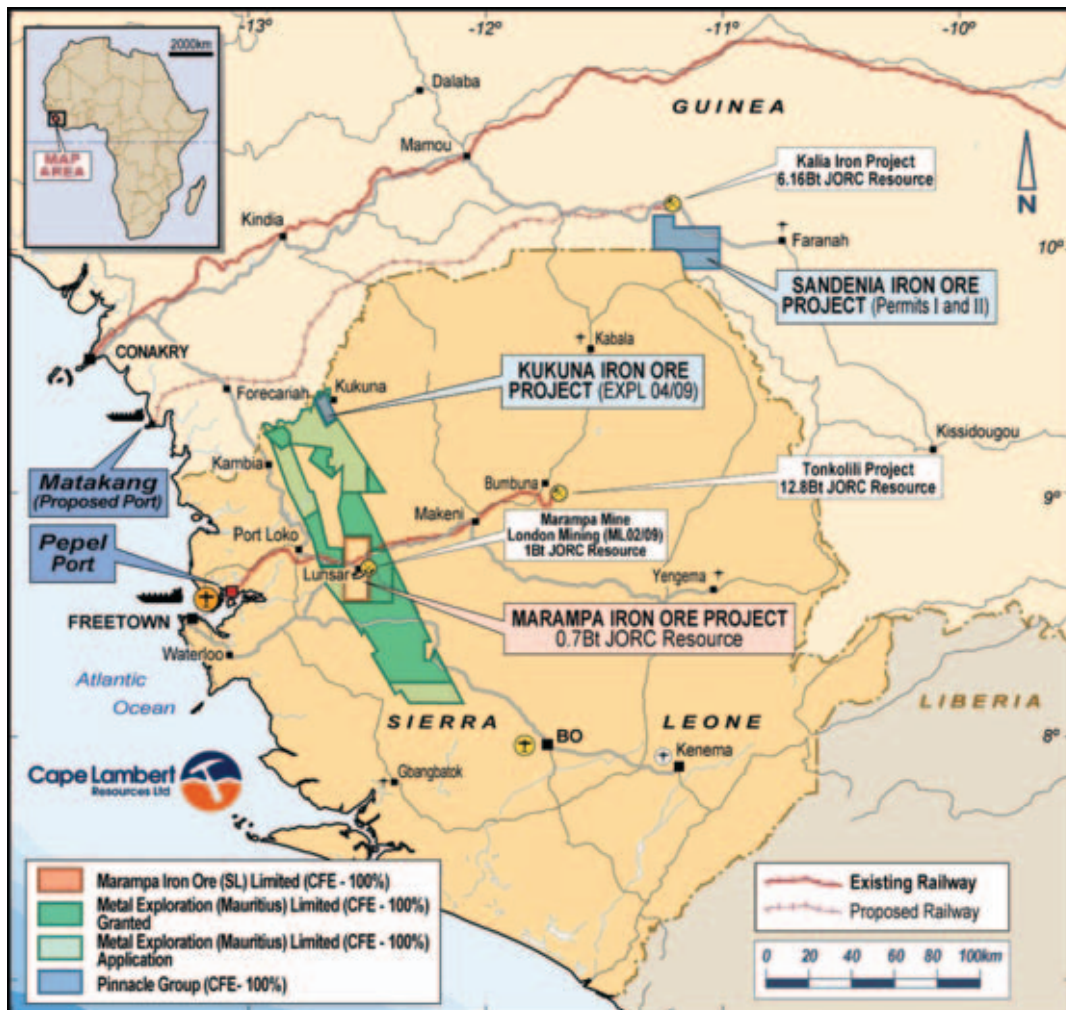
Marampa Iron Ore Project

Location and Overview

The Marampa Iron Ore Project (“**Marampa**” or “**Marampa Project**”) is a brownfields hematite iron ore project at the feasibility assessment stage located 90km northeast of Freetown, Sierra Leone, West Africa (Figure 1: Location of Cape Lambert projects in West Africa). Marampa comprises a granted exploration licence (EL46/2011 – formerly EXPL09/06) covering 305km². The licence is held by Marampa Iron Ore (SL) Limited, a wholly owned subsidiary of the Company.

The Marampa Project is connected to the stockpiling and ship loading facility at Pepel Port via an existing 73km railway (“**Marampa Infrastructure**”) and has an access to the infrastructure through an agreement with African Minerals Limited (“**African Minerals**”). African Minerals has a 99 year lease for the operation of, and is currently refurbishing, the Marampa Infrastructure. An agreement is also in place with African Minerals to export an additional 3Mtpa of concentrate through a new deep water port to be built at Tagrin, when this becomes operational. Discussions are underway with African Minerals to increase the total export to 10Mtpa.

FIGURE 1: LOCATION OF CAPE LAMBERT PROJECTS IN WEST AFRICA



Geology

Iron ore mineralisation occurs at Marampa as units of hematite schist located within the metapelitic schists of the Rokotolon Formation of the Marampa Group (Figure 2: Hematite mineralisation at the Marampa Project). The Marampa Group stratigraphy is interpreted to unconformably overly Leonean Granite comprising granitoid and granitoid gneiss rocks. To date, seven major hematite schist deposits have been identified on the Licence (Figure 3: Geology of the Marampa Project), with individual bodies of mineralisation up to 100m thick and extending over strike lengths of several kilometres.

As at 31 July 2011, a total of 49,562 metres of diamond and reverse circulation drilling has been completed at Marampa comprising resource definition drilling at Matukia, Gafal West, Mafuri and Rotret, and initial drilling at the Petifu and Makambo prospects.

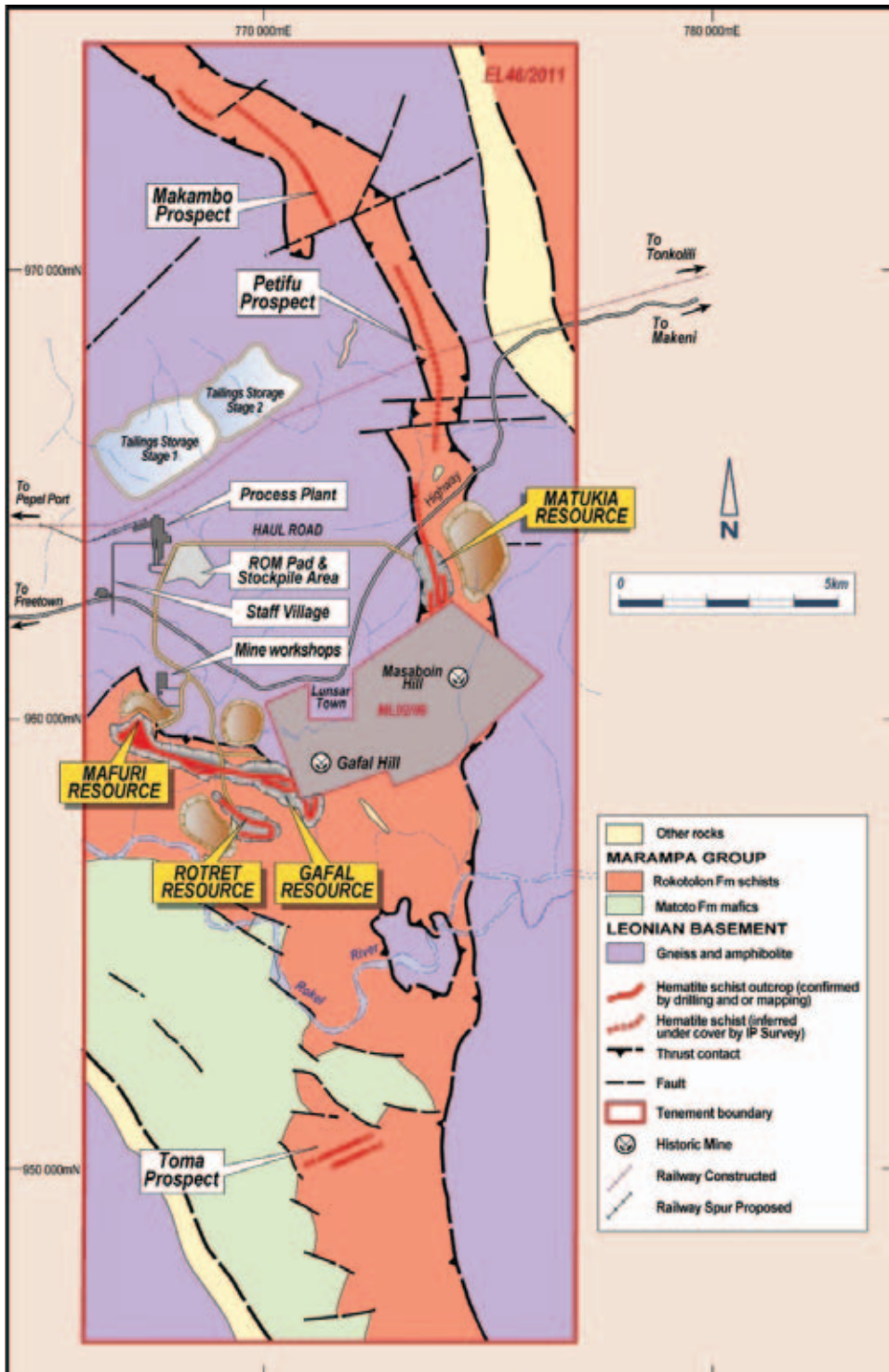
FIGURE 2: HEMATITE MINERALISATION AT THE MARAMPA PROJECT





Marampa Iron Ore Project (Continued)

FIGURE 3: GEOLOGY OF THE MARAMPA PROJECT



Mineral Resources

Based on resource drilling completed to 31 July 2011, independent consultant Golder Associates Pty Ltd have defined the total Mineral Resource for Marampa to be 680 million tonnes (Mt) (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: Marampa Mineral Resource Estimate – July 2011.

TABLE 1: MARAMPA MINERAL RESOURCE ESTIMATE – JULY 2011

Deposit	J O R C 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

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.

In addition to the Mineral Resources at the Matukia, Gafal, Mafuri and Rotret deposits there are an additional three known prospects on the Licence, namely Petifu, Makambo and Toma (Figure 3: Geology of the Marampa Project), which have a combined Exploration Target¹ of between 91Mt and 175Mt at approximately 20-35% Fe.

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.



Marampa Iron Ore Project (Continued)

Technical Work Completed

In January 2011, the Company completed a Scoping Study that examined a standalone, open pit mining development at Marampa producing 5Mtpa of hematite concentrate. This study was based on the maiden Mineral Resources (197Mt at 28.5% Fe) defined at the Gafal West and Matukia deposits only. The Scoping Study concluded that a financially robust operation could be established at Marampa based on the known resources at that time.

Based on these positive results, in the March 2011 quarter, the Company commenced further detailed technical and environmental work to optimise the design criteria and operating and capital costs required to increase the scale of the Marampa Project to 10Mtpa of ~65% Fe hematite concentrate production.

An Updated Scoping Study completed by Bateman Engineering Pty Ltd ("**Bateman**"), with contributions from several specialist consultants, was delivered in September 2011 and was based on the updated mineral resource inventory defined at the Gafal, Matukia, Mafuri and Rotret deposits (680Mt at 28.2% Fe).

The Updated Scoping Study confirmed iron recoveries of $\geq 90\%$ are achievable when producing a high grade iron concentrate with typically ~65%Fe grade and low levels of contaminants. This study was based on a staged project development approach with Stage 1 production planned at 2.5Mtpa and Stage 2 expanding production to 10Mtpa within 18 months, resulting in a 22 year mine life. 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.

Metallurgy

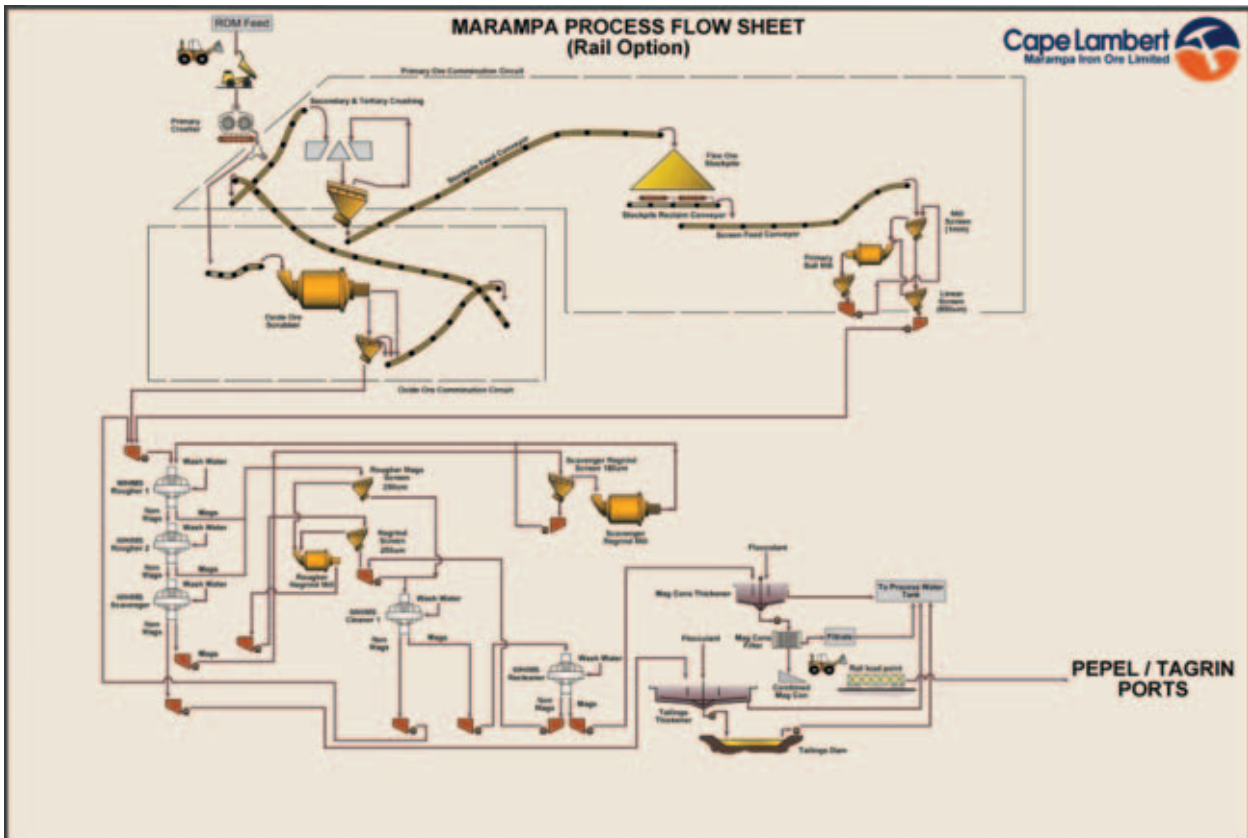
A metallurgical test work programme, as part of the Updated Scoping Study, was managed by Bateman with beneficiation testwork on both fresh and oxide mineralisation.

Metallurgical testwork confirmed that high quality saleable iron concentrates of approximately 65% Fe, with low levels of deleterious elements can be produced from Marampa ores. The testwork has also demonstrated that iron recoveries of 90 to 97% are achievable. Near surface oxide ore will only require primary liberation by wet rotary scrubbing, and screening of the scrubber oversize at 850Qm prior to beneficiation.

The more competent fresh and laterite ore types will require primary liberation by conventional crushing to a P80 size of approximately 10mm followed by ball milling in closed circuit with a screen at 850Qm prior to beneficiation.

Following the appropriate comminution steps, all ore types will be processed via five sequential stages of wet, high-intensity magnetic separation (WHIMS) with some intermediate grinding of concentrate streams. The final product P80 size is a relatively coarse at approximately 180Qm. A schematic process flowsheet is shown in Figure 4: Schematic Process Flowsheet.

FIGURE 4: SCHEMATIC PROCESS FLOWSHEET



The Updated Scoping Study completed by Bateman proposes the process plant will be constructed in two stages, with Stage 2 to be built immediately after Stage 1 is in production. Stage 1 is designed for the more easily processed oxide ore and will have a production capacity of 2.5Mtpa of product (although some sections of the circuit are sized for 5Mtpa of product, namely the; primary crusher, thickeners, filtration, and product stockpiles).

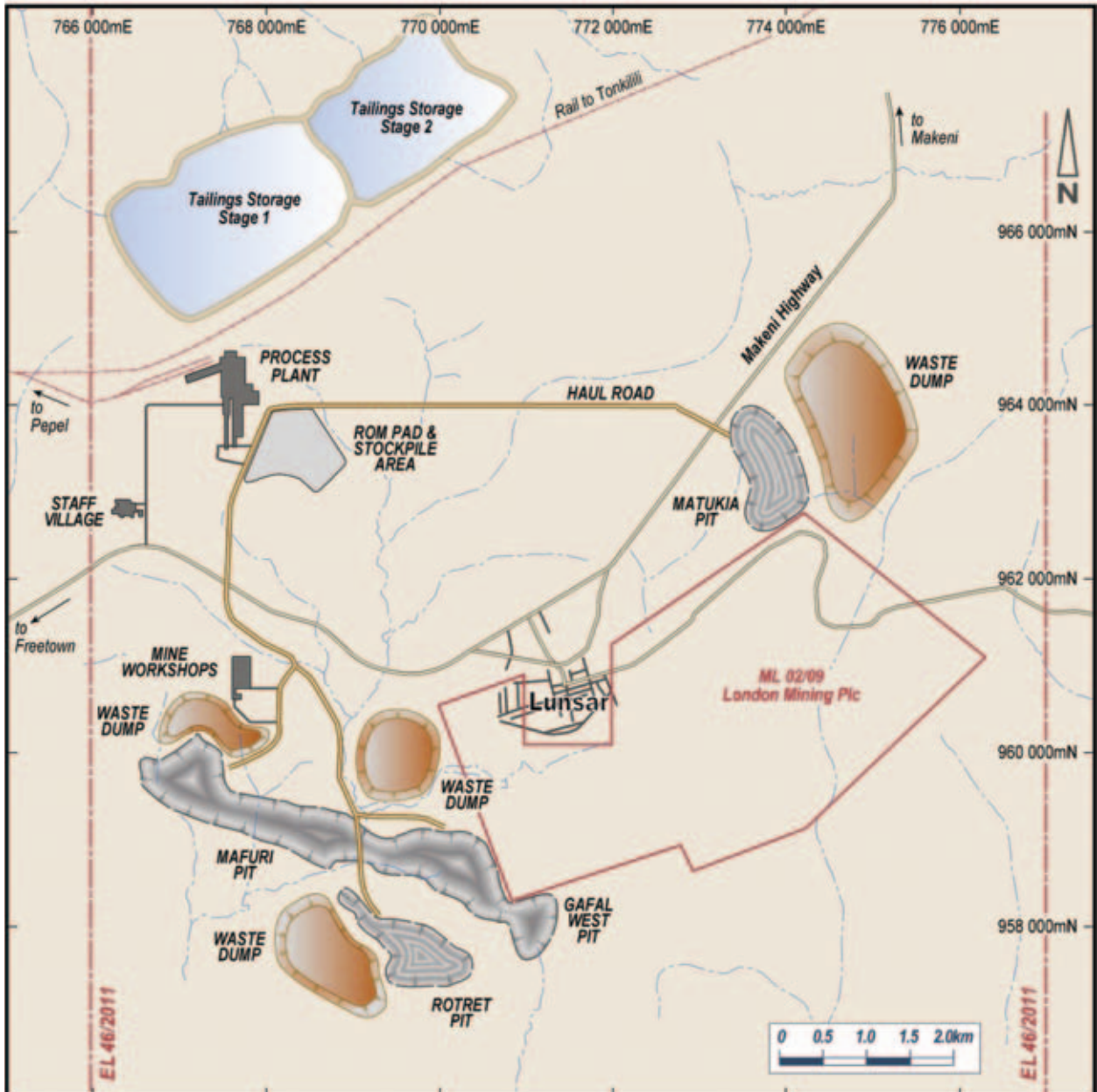
Stage 2 will include an expanded oxide processing circuit and comminution circuits to treat fresh (and laterite) ore. Stage 2 will increase the total production capacity to 10 Mtpa of concentrate.

A general layout of the Marampa Project is shown in Figure 5: Marampa Project Layout.



Marampa Iron Ore Project (Continued)

FIGURE 5: MARAMPA PROJECT LAYOUT



Pinnacle

The assets of Pinnacle include 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

The Kukuna Project is located 120km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km² (Figure 1: Location of Cape Lambert projects in West Africa). The licence is located 70km due north of the Marampa Project.

The Kukuna licence contains rocks correlated with the Marampa Group stratigraphy, which host the specular hematite schist iron mineralisation, similar to that at Marampa. The licence is extensively covered by laterite, alluvium and vegetation. Initial exploration comprising geological mapping, trenching and ground IP geophysical surveys have been completed and have defined several drill targets that are 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 the Marampa to the south.

To the end of September 2011, 34 holes (7,952m) had been completed. This first phase of drilling has identified significant intercepts of hematite schist with the first assays expected by December 2011.

Sandenia

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 (Figure 1: Location of Cape Lambert projects in West Africa). 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. Subtropical weathering has resulted in the formation of iron-rich laterites overlying the mineralised units, which in some places form lateritic plateaus that will be investigated for potential direct shipping iron ore .



Rokel Iron Ore Project

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds a land package of granted licences and applications in Sierra Leone totalling approximately 3,000km², covering the region 70km to the north and south of Marampa (Figure 1: Location of Cape Lambert projects in West Africa). 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 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, including the Kumrabai anomalies will be undertaken during 2011/12.



Sappes Gold Project

The Sappes Gold Project (“**Sappes**” or “**Sappes Project**”) 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 licence granted until 2023. Sappes is currently the subject of an agreement for its sale to Glory Resources Limited for a total consideration of A\$46.5 million which is expect to complete before the end of 2011 (see ASX Announcement on 18 August 2011).

The Sappes deposits are typical high-sulphidation epithermal gold deposits that also contain silver and copper. They are hosted by a sequence of tertiary calc-alkaline volcanics, volcanoclastics and sedimentary rocks that have been subjected to intense hydrothermal silica and clay alteration associated with the gold mineralisation. The Viper, St Demetrios and Scarp gold deposits and their host rocks are disrupted by a number of fault zones.

The audited Measured and Indicated Mineral Resources for the Sappes Project are summarised in Table 2: Sappes Mineral Resource Estimate – September 2010.

TABLE 2: SAPPES MINERAL RESOURCE ESTIMATE – SEPTEMBER 2010

Deposit	Category	Cut-Off Grade	Tonnes	Grades			Ounces of Gold
				Au (g/t)	Ag (g/t)	Cu (%)	
Viper	Measured	4.0	710,000	22.2	11.5	0.40	507,000
St Demetrios	Measured	1.0	730,000	3.5	3.2		82,000
Scarp	Measured	1.0	820,000	2.2	1.5		58,000
	Sub-Total		2,260,000	8.9	5.2	0.20	647,000
Viper	Indicated	4.0	280,000	19.5	9.0	0.35	176,000
St Demetrios	Indicated	1.0	50,000	2.6	2.8		4,000
Scarp	Indicated	1.0	50,000	1.7	1.1		3,000
	sub-total		380,000	14.9	7.1	0.30	183,000
Rounded	Total		2,640,000	9.8	5.5	0.1	830,000

The development of Sappes is based around the high-grade, underground Viper deposit and an open pit at the nearby St Demetrios deposit. The Viper deposit is planned to be developed utilising decline access with truck haulage of ore to the process plant on surface. Mining will be fully mechanised and trackless equipment, utilising Drift and Fill stoping with cemented tailings hydraulic backfill.

The lower grade St. Demetrios deposit is planned to be mined by a shallow open-pit to provide supplementary mill feed, to smooth out the overall production rate to 200,000 tpa and to ensure that the mill is utilised to its full capacity. The actual production rate will be flexible to dovetail with the supply of ore from the underground mine.



Leichhardt Project

The Leichhardt Project, 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 and comprises:

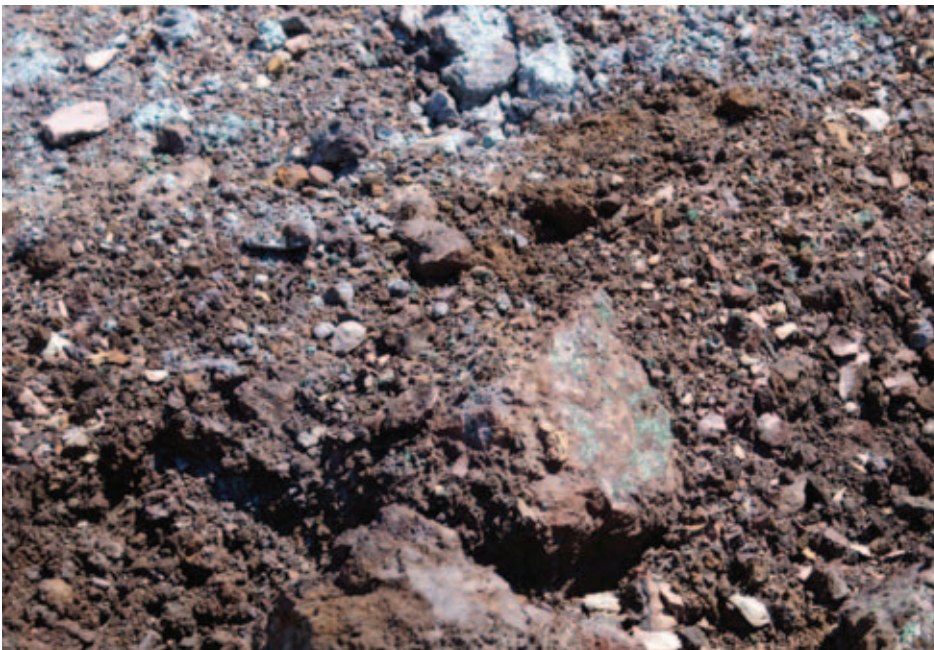
- » the Leichhardt process plant at Mt Cuthbert; a heap leach, solvent extraction and electrowinning facility with installed capacity of 9,000 tonnes per annum of copper cathode;
- » a package of 43 granted tenements (approximately 850km²) and 11 applications for Exploration Permits (500km²);
- » the established Mt Watson open pit located approximately 27km north of the Leichhardt process plant (Figure 6: Copper mineralisation at Mt Watson); and
- » a Mineral Resource inventory of oxide, transition and primary copper at the Leichhardt, Mighty Atom, Hidden Treasure, Ned Kelly and Mt Cuthbert deposits, and several targets including Mt Wonder, Mt Earl and Prospector that are prospective for oxide and primary copper deposits.

Technical Work Completed

A programme of drilling and metallurgical test work commenced in early 2011 to investigate the leachability of the in-situ transitional material at the Mt Watson open pit.

Metallurgical diamond drilling of the transitional copper resource within the Mt Watson West Pit (6 holes for 471.6m) was completed during April 2011. This drilling provided sufficient material to conduct column leach testwork with the diamond core samples currently being tested by HRL Testing Pty Ltd in Brisbane. The work programme underway includes head assay, physical property testing and bottle roll and column leach tests for evaluation of heap leach characteristics and copper recovery.

FIGURE 6: COPPER MINERALISATION AT MT WATSON



Regional Exploration

Commencing in March 2011, the Company continued work to identify, prioritise and test prospects and targets to increase the oxide and primary copper mineral inventories at the Leichhardt Project. A high resolution airborne geophysical survey was flown over the entire project area in July 2011 and interpretation and target generation is ongoing.

Further exploration commenced at two priority targets identified at Mt Wonder and Prospector.

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

A programme of soil geochemical sampling was completed in June 2011 over Mt Wonder to define the extent of the copper mineralisation. A total of 229 soil samples were collected on a 50m grid. This survey has defined a northwest trending copper-in-soil anomaly (>150ppm Cu, peak 4,850ppm Cu) over an area of 1,000m by 250m within the Surprise Creek Formation. Follow-up mapping has commenced and a sub-audio magnetic ground geophysical survey was completed to define priority drill targets. This survey was successful by defining resource extension targets at Mt Watson. Further geological interpretation is being carried out prior to drill testing.

The Prospector prospect is located 38km south of Mt Cuthbert and comprises a series of copper in soil geochemical anomalies and nine airborne time-domain electromagnetic (“**VTEM**”) anomalies, which have been only partially tested. Work to further define drill targets including VTEM modelling and geological mapping has commenced.





Australis Project

Australis holds a portfolio of mineral rights, tenements and subsidiaries, 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 Licences totalling 2,500km² and 11 applications for Exploration Permits totalling 5,191km² in north west Queensland, prospective for rock phosphate; and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted Exploration Permits (“**Mojo Project**” or “**Mojo**”) totalling 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 five grassroots rock phosphate targets on the Northern Territory licences. These lie along the northern margin of the Georgina Basin and on a basement high, approximately 50km to the north of the Wonarah rock phosphate project owned by Minemakers Limited. Field reconnaissance of these targets has been delayed due to the extended rainy season and is planned to be undertaken during October 2011.

The Mojo Project licences cover the projected southern extension of the Mt Isa Inlier under younger cover rocks. A geophysical assessment completed in 2010 defined 3 main target areas where the depth to the prospective Mt Isa Inlier basement is approximately 200-500m. A high resolution ground gravity geophysical survey to more accurately delineate the depth to basement was completed in September 2011. The data is currently being interpreted prior to drill testing of priority targets in 2012.





Cape Lambert Resources Ltd is an Australian based exploration and development company with interests in a geographically diverse portfolio of mineral assets and investments in several exploration and mining companies.

Competent Person Statement

The information in this Annual Report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information reviewed and compiled by Mr. Kim Bischoff, who is a Member of the Australian Institute of Geosciences. Mr. Bischoff is a contractor to Cape Lambert Resources Limited 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. Bischoff consents to the inclusion in the Annual Report of the information in the form and context in which it appears.