

27 April 2018

QUARTERLY REPORT – 31 March 2018

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 March 2018.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

Cape Lambert Resources Limited (ASX: CFE) is a mineral development company with exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America.

Australian Securities Exchange
Code: CFE

Ordinary shares
909,633,549

Unlisted Options
23,500,000 (\$0.05 exp 31 Dec 2018)
15,336,363 (\$0.07 exp 12 Mar 2020)
7,667,727 (\$0.07 exp 19 Mar 2020)

Board of Directors
Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Stefan Muller
Non-executive Director

Melissa Chapman
Company Secretary

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Investor Relations
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CORPORATE

Strategy and Business Model

Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert** or the **Company**) is an Australian domiciled mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America (refer Figure 1).

Cape Lambert's strategy is to acquire and invest in undervalued and/or distressed mineral assets and companies (**Projects**) and:

- improve the value of these Projects, through a hands on approach to management, exploration, evaluation and development; and
- retain long-term exposure to these Projects through a production royalty and/or equity interest.

Cape Lambert aims to deliver Shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

Cash Balance

As at 31 March 2018, the Company had approximately A\$2,464k (including FE Limited cash of A\$814k which is consolidated in accordance with accounting standards) in cash at bank.

Board Appointments

On 1 January 2018 Mr Stefan Muller was formally appointed as Director of the Company. On 28 February 2018 Mr Jason Brewer resigned as a Director of the Company.

Placement

On 12 March 2018 and the 19 March 2018, the Company completed a placement of 36,008,180 fully paid ordinary shares at \$0.055 per shares to raise cash funds of \$1.98m (before costs). On the same dates, the Company issued one free attaching unquoted option for every two shares applied for under the Placement as well as issuing 5 million options to facilitators of the Placement which are exercisable at \$0.07 (7 cents) expiring 2 years from the date of issue.

Funds raised from the placement will be used towards funding its exploration expenditure activities at the Kipushi Cobalt-Copper Tailings Project in the Democratic Republic of Congo and for general working capital purposes.

The placement shares and options were issued under Cape Lambert's existing 15% placement capacity under ASX listing rule 7.1 and therefore shareholder approval was not required.

Investments

Mayoko Royalty

On 19 February 2018 the Company updated the market regarding the sale of its 100% owned royalty in the Mayoko Iron Ore Project. The Company received A\$500,000 in cash with the remaining A\$500,000 to be received as a deferred consideration.

Cobalt Mining and Tailings Processing Operations - DRC

On 21 February 2017, the Company announced that it had entered into a Binding Heads of Agreement (**Agreement**) with Congolese company, Paragon Mining SARL (**Paragon**) to form a 50/50 Joint Venture (**JV**) to develop the Kipushi Cobalt Copper Tailings Project, the Kasombo Copper-Cobalt Projects and operate the Kipushi Processing Plant in the Democratic Republic of Congo (**DRC**).

During the quarter the incorporation of the new joint venture company “Soludo-Lambert Mining SAS” (**Soludo Lambert**) was completed.

The Company has been in negotiations on a strategic investment in and partnership with the company proposed by a major Chinese industrial group (**China Group**) to secure planned cobalt and copper production from the Kipushi Tailings Project as well in its broader strategy of acquiring other advanced cobalt and copper projects in the DRC and in Zambia. Discussions with the China Group continued during the quarter.

Kitwe Tailings Project – Zambia

On 22 May 2017, the Company announced that it had executed a binding terms sheet to conditionally acquire 70% of the shares in Zambian entity Australian Mining Company Zambia Limited (**Seller** or **AMCZL**), which is the holder of exploration licence No 21853-HQ-SEL (**Licence** or **Kitwe Project**) (**Acquisition**). The Licence covers an historic cobalt-copper rich tailings dump located near Kitwe in Zambia (refer ASX announcement dated 22 May 2017).

The Kitwe Project is located approximately 3km from the outskirts of Kitwe, in the Copperbelt region of Zambia. Kitwe is the second largest city, in terms of size and population, in Zambia and is one of the most developed commercial and industrial areas in the nation, alongside Ndola and Lusaka. The Copperbelt is centred around the towns of Ndola, Kitwe, Chingola, Luanshya and Mufulira – a string of towns on Zambia's northern border with the Democratic Republic of Congo.

The share sale agreement was executed on 4 December 2017. The Company was expecting completion to occur early February 2018, however there has been some frustration to the completion process by the Zambian authorities. The Company continues to work with the authorities and expect completion to occur during the June 2018 quarter.

Timis Mining Corporation Royalty

As previously announced, Cape Lambert will receive a royalty of US\$2 per tonne of iron concentrate (**Royalty**) exported from the Timis Marampa Iron Ore Mine (**Mine**), which is payable on a quarterly basis. The Royalty of US\$2 per tonne is payable on production of 24mt from the Mine. There has been no developments during the quarter.

Timis Mining Corporation Bridging Finance

The Company provided Bridging finance of US\$8 million to Timis Mining which was repayable to the Company in October 2015 and incurs interest of 3 month US LIBOR (London interbank offered rate) + 6%. The principal and interest was due to be repaid to Cape Lambert in one payment on 21 October 2015 and could be extended by the parties on mutually agreed terms.

In May 2017, the Company announced that it had commenced legal action against Gerald Metals, Timis Mining Corporation, Frank Timis and others (jointly the **Defendants**) in the High Court of Sierra Leone seeking damages and injunctions against the Defendants (refer ASX announcement dated 15 May 2017), with an interim injunction subsequently granted (refer ASX announcement dated 19 May 2017).

On 7 July 2017, the Company announced that the High Court of Sierra Leone issued a Court Order in relation to the Notice of Motion lodged by the Plaintiff, which ordered the Parties to proceed to Arbitration if desired, refused the 4th Defendant's application for a stay of proceedings and maintained the interlocutory injunction against the 1st, 2nd and 3rd Defendants that prevents liquidating the 4th Defendant's company, pending the hearing and determination of the matter.

The Company continues to be discussions with the Defendants in regards to proceeding to Arbitration.

ATO Audit

As previously announced, the Company has been in advanced negotiations with the Commissioner of Taxation (**Commissioner**) regarding various taxation matters, covering the 2011-2015 income years (**Audit Matters**). The key issue in dispute is the tax treatment of the disposal of certain assets. The key terms of the settlement, as previously announced, are being documented in a formal deed. The Company and Commissioner continue to work on the formal deed which is expected to be finalised in the June quarter.

PROJECTS

Marampa (100% interest)

Marampa is an iron ore project at the development stage, and is located 90 km northeast of Freetown, Sierra Leone, West Africa (**Marampa** or **Marampa Project**) (refer Figure 2). Marampa comprises one granted mining licence (ML05/2014) comprising 79.40km² and one granted exploration licence EL46A/2011 – 159.78 km² held by Marampa Iron Ore (SL) Limited, which is indirectly, a wholly owned subsidiary of Cape Lambert.

The Marampa Project remains under care and maintenance.

Dempsey Resources (100% interest)

Dempsey Resources holds the Kukuna Iron Ore Project located in Sierra Leone (**Kukuna** or **Kukuna Project**).

The Project is located 120 km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence (EL22/2012) covering 68km² (refer Figure 2). The licence is located 70km due north of the Marampa Project and the Pepel Infrastructure and

comprises rocks that correlate with the Marampa Group stratigraphy known to host specular hematite mineralisation.

The Kukuna Project remains under care and maintenance.

Kipushi and Kasombo Copper-Cobalt Projects (JV with Paragon Mining SARL)

The Kipushi Cobalt Copper Tailings Project consists of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**), and retains an interest in the Kasombo Copper-Cobalt Project through its shareholding in FEL (**Kasombo Project**), refer Figure 2. Both projects are located approximately 25km from Lubumbashi, the second largest city in the Democratic Republic of Congo (**DRC**). The Company has a 50/50 joint venture agreement with Paragon Mining SARL (**Paragon**) to develop the projects (refer to ASX announcement dated 3 May 2017 for details of the joint venture arrangement). The joint venture company is Soludo Lambert Mining SAS (**Soludo Lambert**).

Kipushi Project

As reported in the December 2017 quarterly report, the Company has been undertaking flotation testwork at the laboratory of Axis House in South Africa. Axis House produced sample lots of concentrates, grading between 10%-12% Copper and 1.8% to 2% Cobalt, that were dispatched to various traders for testing. Several traders have indicated their interest in offtaking the concentrate produced and will soon provide indicative terms for a potential offtake agreement.

The testwork conducted by Axis House indicated that the recovery of copper and cobalt in the flotation process would be in the order of 55% to 65% for copper and 40% to 50% for cobalt. Given these levels of recovery, the Company dispatched a sample of tailings to the laboratory of ALS Metallurgy Pty Ltd (**ALS**), to undertake leach/extraction testing that could potentially provide a more optimum processing solution, in particular higher Cobalt recoveries.

ALS completed an initial 3 leach tests on the Kipushi tailings with very encouraging results, which resulted in recoveries of 95.8% for Copper and 83.5% for Cobalt at a 75 micron grind size after 3 hours of leaching. Further work is underway aimed at optimising the leach/extraction process and providing a reduction in operating costs.

Given the excellent results achieved from the leach testing, Soludo Lambert adopted a strategy to develop in parallel with the upgrade of the flotation plant, a leaching plant that will potentially produce a high grade copper cobalt hydroxide product. Further testing is being undertaken at ALS to determine the quality of hydroxide product that can be achieved.

To progress the development of a potential leaching plant, Soludo Lambert engaged the services of Minnovo Pty Ltd (**Minnovo**) to undertake a pre-feasibility study on the leach/extraction plant, which is expected to take approximately 12 weeks to complete.

On 6 February 2018, the Company advised that it had engaged the services of consultants GCWH Consulting Pty Ltd (**GCWH**) to undertake a detailed engineering review of the Kipushi Processing Plant. GCWH visited the project between 12 to 15 February 2018 and have noted the requirement for several design modifications in the flotation plant and identified that some equipment should be replaced. Soludo Lambert has requested a proposal from GCWH to undertake the processing and design work associated with the recommended modifications.

Philippe Bouchart commenced his employment as General Manager in March 2018.

Kasombo Project

In January 2018, FEL reported that it had completed a preliminary RC drilling at the Kasombo Project, with Kasombo 5 drilled with two reverse circulation (**RC**) holes for a total depth of 149 m, and Kasombo 7 was drilled with four RC holes for a total depth of 190 m.

Assays from Kasombo 5 showed wide intersections of high grade copper mineralization, with copper and cobalt intercepts from the drilling at Kasombo 5:

- KSB001: 23 m @ 3.18% Cu from 54 m
- KSB003b: 24 m @ 3.50% Cu from 37 m
- KSB003b: 12 m @ 0.19% Co from 36 m
- KSB003: 10 m @ 0.22% Co from 11 m

RC drilling at Kasombo 7 returned shallow intercepts of cobalt mineralisation from depths of 8m and over intercepts of up to 11m:

- KSB004: 11 m @ 0.10% Co from 8 m
- KSB006: 3 m @ 0.13% Co from 10 m

For more detailed information on the drilling results, refer to FEL announcement dated 14 March 2018.

In its March 2018 quarterly report, FEL reported it had undertaken a tender process for a step out drilling programme at Kasombo. Proposals were received from nine drilling companies, with four shortlisted for more detailed discussions. Final proposals from the shortlisted companies were received with the selection and appointment of the drilling contractor to be confirmed by the Board of Soludo Lambert .

Mining International Pty Ltd (100% Interest)

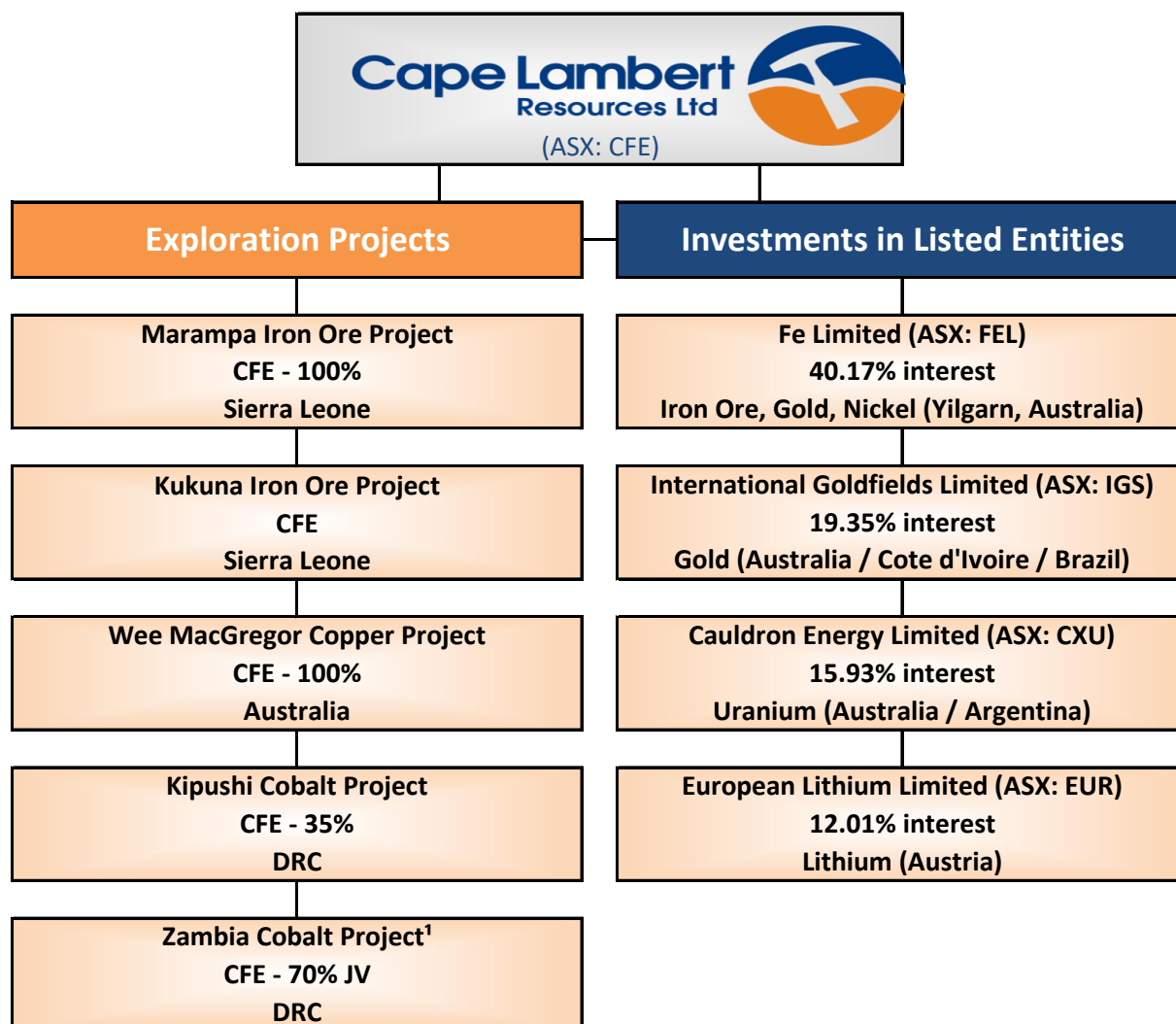
Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases (which were excluded from the sale of the Leichhardt Copper Project) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 4).

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The eastern-most tenements are located in the Mary Kathleen Zone/Wonga Subprovince. The western group of tenements are located in the Kalkadoon Leichhardt Belt. These areas are prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits.

Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098, while Firebird Minerals Pty Ltd (**Firebird**) has a Farm-in agreement for mining licence ML2771.

There were no activities reported by either Cohiba or Firebird during the quarter.

Figure 1: Group Structure March 2018



¹ Completion of this transaction is in progress

Figure 2: Cape Lambert West African Iron Ore Interests

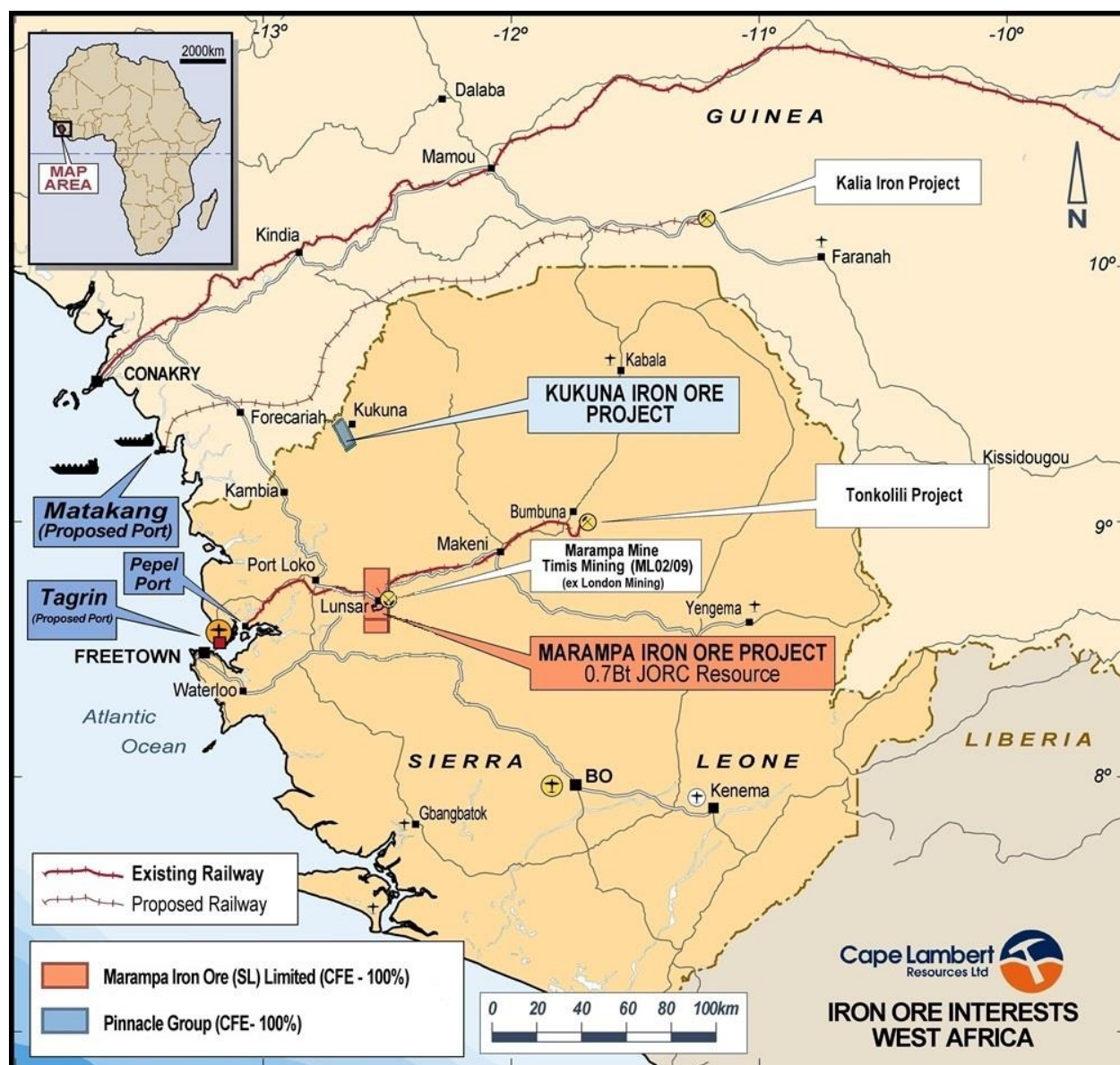


Figure 3: Location of the Kipushi Project and Kasombo Project

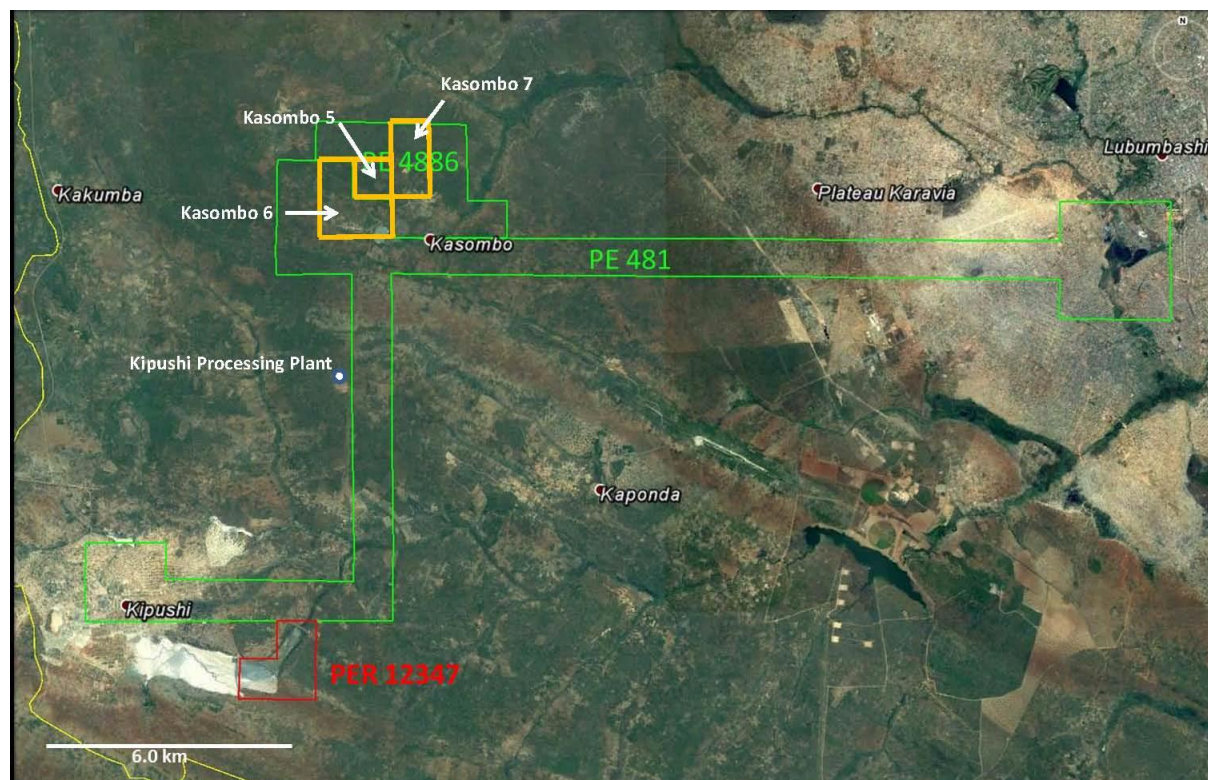
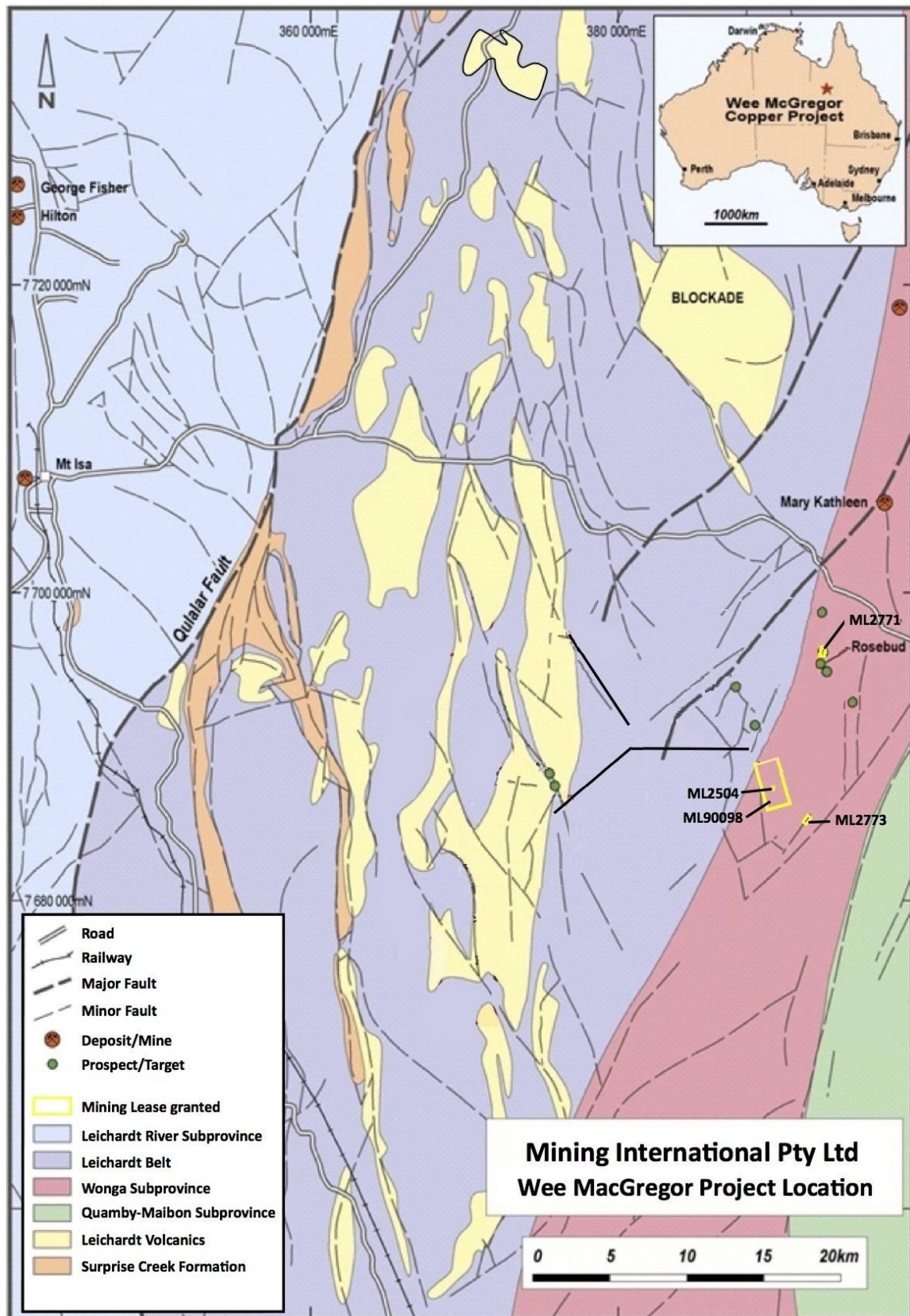


Figure 4: Wee MacGregor Project Location



Appendix 1: Tenement Status

The mining tenements held at the end of each quarter, acquired and disposed of during the quarter and their location:

Tenement reference	Project & Location	Acquired interest during the quarter	Disposed interest during the quarter	Interest at the end of quarter
Marampa Project - EL 46A/2011	Lunsar - Sierra Leone	-	-	100%
Marampa Project – ML 05/2014	Lunsar - Sierra Leone	-	-	100%
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	-	-	100%
ML 90098 ³	Wee MacGregor - Queensland	-	-	100%
ML 2504 ³	Wee MacGregor - Queensland	-	-	100%
ML 2771 ⁴	Wee MacGregor - Queensland	-	-	100%
ML 2773 ³	Wee MacGregor - Queensland	-	-	100%
21853-HQ-SEL ¹	Zambia	-	-	-
PER 12347 ²	Kipushi – DRC	-	-	-

¹ Completion of this transaction is in progress, Refer to ASX announcements for extent of interest.

² Refer to ASX announcements for extent of interest.

³ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details.

⁴ Subject to the Firebird Farm-in agreement, refer to ASX March 2016 Quarterly Report for details.

There were no mining tenements with beneficial interest earned/lost in farm-in/farm-out agreements at the end of the quarter.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(624)	(1,457)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(19)	(167)
	(e) administration and corporate costs	(1,015)	(2,747)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	5	10
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (legal fees recovery of asset)	(60)	(60)
1.9	Net cash from / (used in) operating activities	(1,713)	(4,421)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	(32)
	(c) investments	(19)	(34)
	(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	150
	(c) investments	-	568
	(d) other non-current assets	500	500
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	481	1,152

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	2,980	4,046
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	281	281
3.4	Transaction costs related to issues of shares, convertible notes or options	(148)	(148)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	450
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	3,113	4,629

4.	Net increase / (decrease) in cash and cash equivalents for the period	1,881	1,360
4.1	Cash and cash equivalents at beginning of period	578	1,111 ¹
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,713)	(4,421)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	481	1,152

+ See chapter 19 for defined terms.

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,113	4,629
4.5	Effect of movement in exchange rates on cash held	5	(7)
4.6	Cash and cash equivalents at end of period	2,464	2,464

¹ The December Appendix 5B included a closing cash balance of \$535k however the updated cash balance (per the December 2017 audited accounts) is \$578k. This adjustment has been corrected in the opening balance.

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,464	578
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,464	578

Includes the consolidation of FE Limited (per the audited accounts) which has a current quarter closing cash balance of A\$814k.

6. Payments to directors of the entity and their associates

6.1 Aggregate amount of payments to these parties included in item 1.2

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
224
-

Director payments are inclusive of GST and exclude the reimbursement of expenses

Excluding payments to Directors of FE Limited

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	285
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments included in item 7.1 are inclusive of GST and relates to payments to director-related parties for office occupancy, corporate hospitality costs and capital raising broker fees.

Excluding payments to related entities of FE Limited

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Not applicable


9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,190)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(15)
9.5 Administration and corporate costs	(1,144)
9.6 Other (sale of asset)	900
9.7 Total estimated cash outflows	(1,449)

Excluding the estimated cash outflows of FE Limited. Includes expenses associated with Cobalt transaction.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
Company Secretary

Date: 27 April 2018

Print name: Melissa Chapman

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.