

31 January 2018

QUARTERLY REPORT – 31 December 2017

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 2017.

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
873,625,369

Unlisted Options
23,500,000 (\$0.05 exp 31 Dec 2018)

Board of Directors

Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Jason Brewer
Non-executive Director

Stefan Muller
Non-executive Director

Melissa Chapman
Company Secretary

Cape Lambert Contact

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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 December 2017, the Company had approximately A\$535k (including FE Limited cash of A\$41k which is consolidated in accordance with accounting standards) in cash at bank.

Board Appointment

On 5 December 2017, the Company announced the appointment of Mr Stefan Muller as Non-Executive Director of the Company with effect from 1 January 2018.

Shareholder Meetings

On 23 November 2017, the Company held its annual general meeting with all resolutions passing on a show of hands.

On 3 November 2017, the Company held a general meeting of shareholders to approve the disposal of the Kasombo project to FE Limited. The resolution passed on a show of hands.

Capital Management

Placement

On 30 October 2017, the Company announced the completion of a placement of 35,333,333 ordinary fully paid shares at \$0.03 to raise cash proceeds of \$1.06m and the issue of 2,166,667 ordinary fully paid shares to settle liabilities of the Company of \$65k. On 6 November 2017, the Company issued a further 200,000 ordinary fully paid shares at \$0.03 to raise cash proceed of \$6k. The funding will be used for general working capital purposes and to advance the Company's cobalt projects in Africa.

On 18 December 2017, the Company issued 2,905,450 ordinary fully paid shares at a deemed issue price of \$0.04 to settle a liability to a creditor of the Company of \$116k.

Investments

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” (**SLM**) progressed with the finalisation and signing of its constitution. The temporary bank account required to deposit the initial capital amount was opened mid-January and the initial capital requirements deposited. The Company’s lawyers have now commenced the incorporation process, which will be completed in February 2018 quarter.

a. Off-Take and Funding Negotiations

On 22 June 2017, the Company announced that it had appointed UK-based strategic advisor Metals Risk Management Limited to assist it with finalising its concentrate offtake and funding arrangements for its copper-cobalt projects. Metals Risk Management is a specialist risk advisory company providing independent guidance on price risk management, including concentrate offtake agreements and sales and commodity linked funding structures.

Following discussions with trading companies, several requested that the Company produce and deliver to them sample concentrate lots in order that they could undertake their own analysis. Further tailings sample was collected and dispatched to Axis House in South Africa for the production of the sample lots. Two sample lots have been recently dispatched to the trading companies, with two additional sample lots still in the process of being produced (dispatch expected early February 2018). Once the trading companies have completed their own analysis, terms for potential offtake agreements will be discussed.

b. Strategic Investor

During the quarter, the Company was invited to China for meetings in Beijing, Shanghai and Hong Kong to negotiate strategic investment and partnership over the Company’s planned production of cobalt and copper in the Democratic Republic of Congo and from its Kipushi Cobalt Project.

In addition, the Company, in conjunction with Metals Risk Management Limited (**MRM**), its UK based strategic advisor held discussions with several major international trading groups based in Switzerland, the United States and Europe during the London Metal Exchange Week which was held in November 2017.

c. Assignment of Kasombo Project to Fe Limited

During the September 2017 quarter, the Company announced that it had entered into a binding terms sheet with Fe Limited (**FEL**) whereby Cape Lambert will assign to FEL 100% of the rights and obligations it has in the Kasombo Copper-Cobalt Project (**Kasombo Project**) (**Transaction**) (Refer ASX announcement dated 13 July 2017).

On 6 November 2017, the Company completed the assignment of the Kasombo Project to FEL and the Company was issued 25,000,000 shares in FEL.

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 is expecting completion to occur early February 2018.

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 is in 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.

During the quarter, the Company entered into a binding heads of agreement with the Commissioner in order to reach a negotiated settlement of the Audit Matters. The key terms of the settlement are:

- (a) tax payable of \$5.2m over 5 years;
- (b) the Company retains carry forward losses;
- (c) The Commissioner will not further review any taxation matters of the Company covering the 2011-2015 income tax years; and
- (d) execution by the parties of a formal deed to more fully document the settlement.

The Company and Commissioner continue to work on the formal deed.

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).

Kipushi Project

The Company has previously reported that it was undertaking metallurgical testwork at Axis House. During the quarter Axis House has been focused on generating concentrate sample lots requested by the international trading houses, in order that they can undertake their own analysis of the concentrate. Two sample lots have been dispatched, with another two lots to be dispatched in February 2018. Once the concentrate sample lots have been dispatched, Axis House will continue with optimisation tests to further improve cobalt grades and recoveries.

A concentrate sample was also dispatched to the laboratory of Mintek to undertake a mineralogical analysis of the concentrate, which will assist in the subsequent optimisation testwork.

In January 2018, the Company engaged the services of a South African processing/engineering consultant to undertake a review of the Kipushi processing plant and to provide recommendations and design services on the upgrade work required to make the plant operational. A site visit will be undertaken during February 2018.

The Board of SLM appointed Philippe Bouchart as the General Manager of SLM during January 2018. Philippe has a metallurgical background and worked in the DRC in similar roles from 2012 to 2014 and will commence his employment in March 2018.

Kasombo Project

In November 2017, FEL reported that it had completed its own mapping works at Kasombo 6 and 7. Mapping works at Kasombo 5 were completed early December 2017. The mapping showed two styles of mineralization: the first conforming to mineralization typical of deposits of the Katanga Copper Belt; the second showing cross-cutting breccia style, providing potential to significantly increase the size of mineralisation.

Twenty samples were collected during the mapping program, predominantly from Kasombo 7 and dispatched to ALS Laboratories for assaying in Lubumbashi and South Africa. The assay results returned high grade cobalt assays, with the highest grade assays being 6.99% cobalt (sample A2914) and 1.57% cobalt (sample A2916) (refer FEL announcement dated 12 December 2017).

During December 2017, FEL completed a small RC drill programme, designed to test the grade and depth of mineralization at Kasombo 5 and Kasombo 6. A total of 390m was completed in difficult conditions due to the wet weather, with 3 holes completed at Kasombo 5 (200m) and 4 holes at Kasombo 7 (190m). Drill samples were dispatched to ALS Laboratories for assaying, with the first results expected back mid-February 2018 (refer FEL announcement dated 8 January 2018).

Cote D'Ivoire (100% interest)

Metals Exploration Cote D'Ivoire SA Limited (**Metals Ex**) is a wholly owned subsidiary of Cape Lambert Resources. The Company holds three tenements in the highly prospective Birimian Gold Belt of Cote D'Ivoire. The tenements are named Boundiali North (400km²), Katiola (400km²) and Bouake (400km²) for a total land position of 1,200km² (**Tenements**).

The Company announced during the March 2016 quarter (refer to ASX announcement of 23 March 2016) that it had executed a sale and purchase agreement with a subsidiary of Newcrest Mining Limited (Newcrest) for the sale of its Tenements (Sale).

The transfer paperwork for the Sale was completed during the quarter and the Company is in the final stages of closing down Metals Ex.

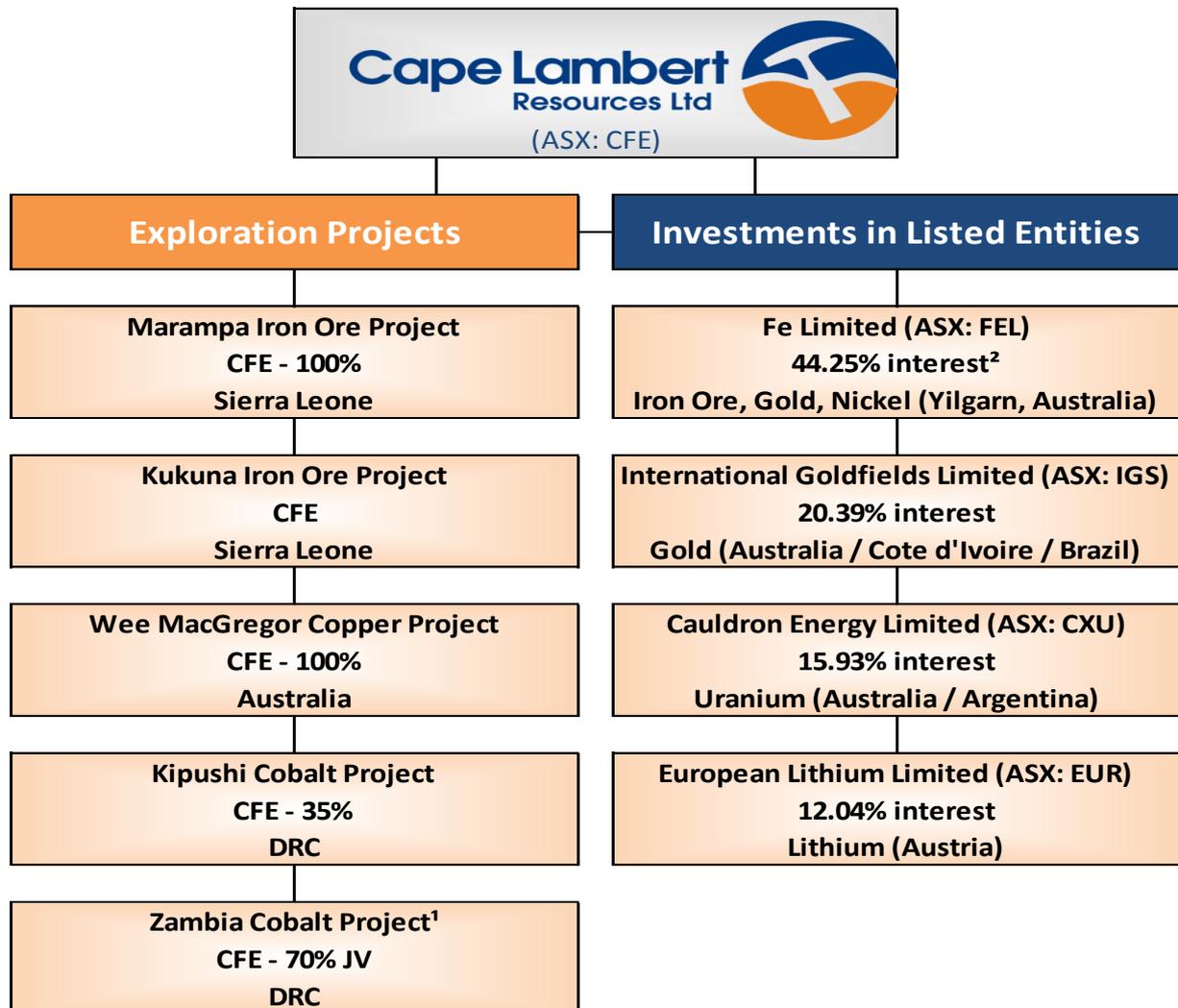
Mining International Pty Ltd (100% Interest)

Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases (ML2504, ML2771, ML2773 and ML90098) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 4). The 4 EPMs held by the Company were surrendered during the quarter.

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.

During the quarter a program of works for a small drilling program on ML2504 and ML90098 was lodged with the Kalkadoon Native Title Claimants (Kalkadoon) for heritage assessment. A heritage survey is being planned to be undertaken during Q1 2018.

Figure 1: Group Structure December 2017



¹ Completion of this transaction is in progress

² Interest in FEL reduced to 40.17% on 4 January 2018 following a placement of shares by FEL

Figure 2: Cape Lambert West African Iron Ore Interests

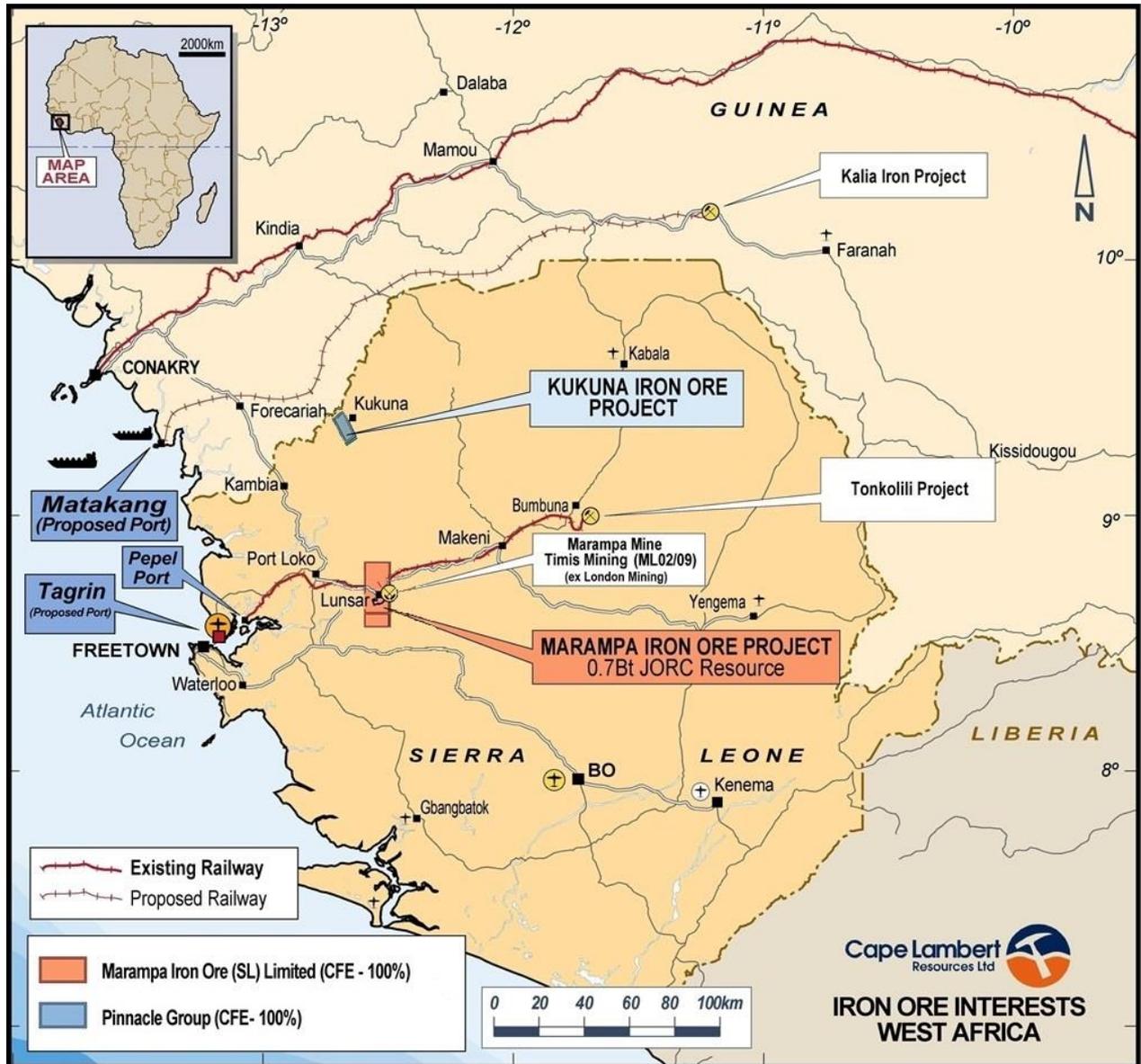


Figure 3: Location of the Kipushi Project and Kasombo Project

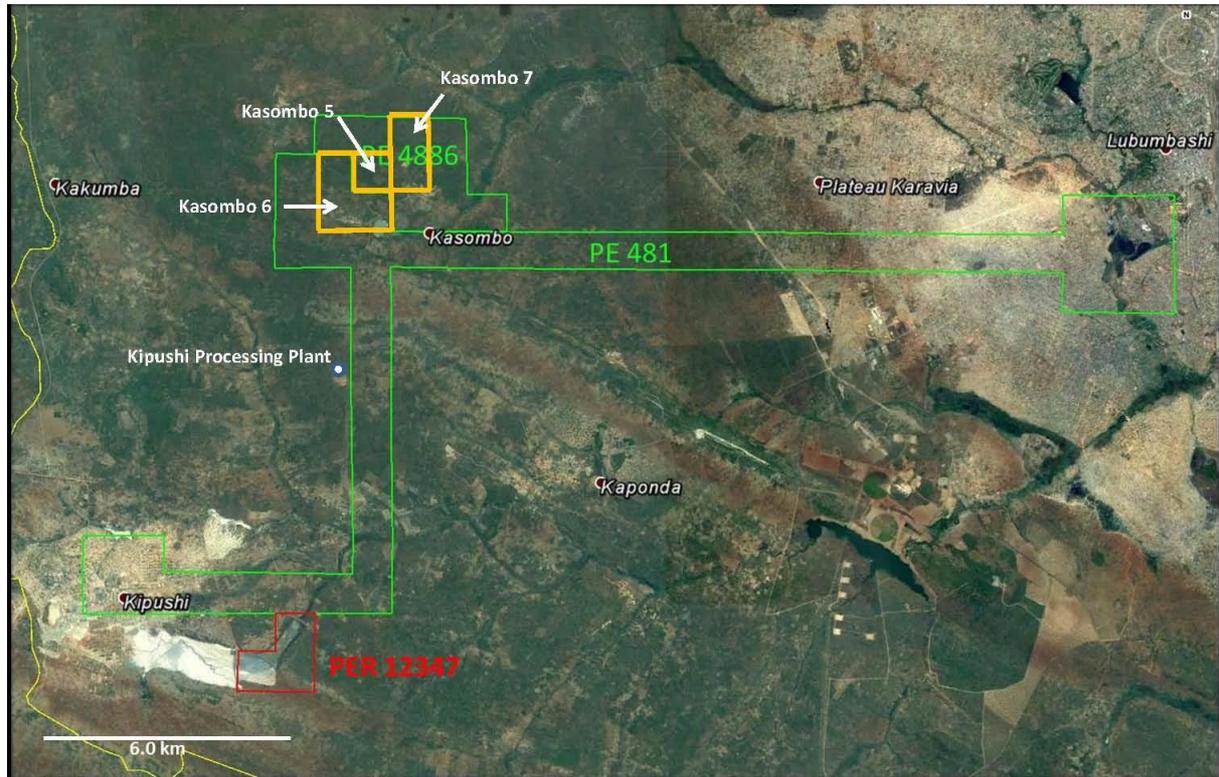
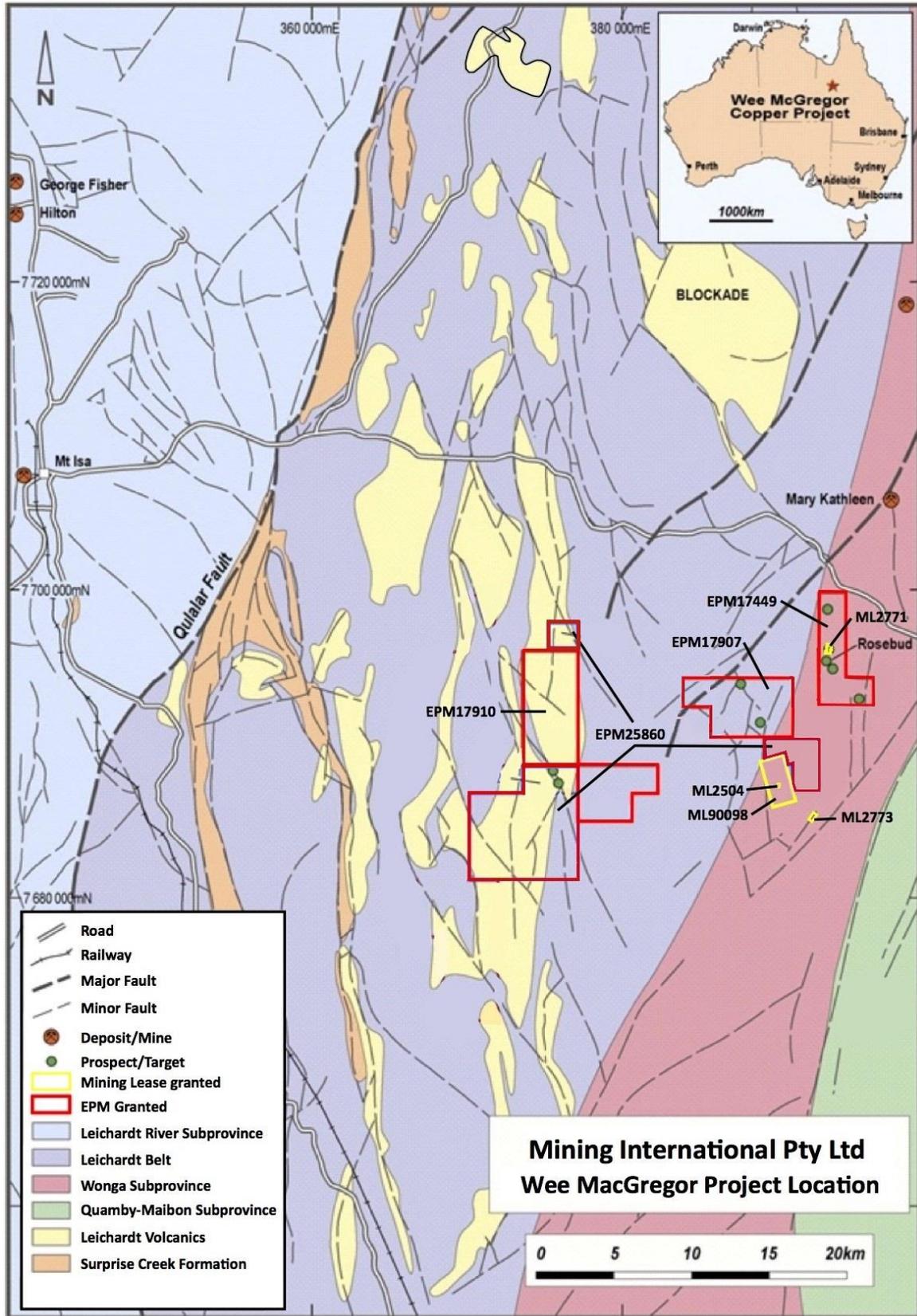


Figure 4: Wee MacGregor Project Location



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%
Cote D'Ivoire Projects - EL 284	Katiola - Cote D'Ivoire	-	100%	-
Cote D'Ivoire Projects - EL 285	Boundiali North – Cote D'Ivoire	-	100%	-
Cote D'Ivoire Projects - EL 286	Bouake – Cote D'Ivoire	-	100%	-
EPM 17449	Wee MacGregor - Queensland	-	100%	-
EPM 17907	Wee MacGregor - Queensland	-	100%	-
EPM 17910	Wee MacGregor - Queensland	-	100%	-
EPM 25860	Wee MacGregor - Queensland	-	100%	-
ML 90098	Wee MacGregor - Queensland	-	-	100%
ML 2504	Wee MacGregor - Queensland	-	-	100%
ML 2771	Wee MacGregor - Queensland	-	-	100%
ML 2773	Wee MacGregor - Queensland	-	-	100%
21853-HQ-SEL ¹	Zambia	-	-	-
PER 12347 ²	Kipushi – DRC	-	-	-
Kasombo 5 & 7 on PE 4886	Kasombo – DRC	-	100%	-
Kasombo 6 on PE 481	Kasombo – DRC	-	100%	-

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

² Completion of this transaction is pending the incorporation of the JV company.

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 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(568)	(877)
(b) development	-	-
(c) production	-	-
(d) staff costs	(73)	(148)
(e) administration and corporate costs	(935)	(1,732)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other		
1.9 Net cash from / (used in) operating activities	(1,574)	(2,752)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	(32)	(32)
(c) investments	-	(15)
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	150	150
(c) investments	321	568
(d) other non-current assets	-	-
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	439	671

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	1,066	1,066
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
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	1,066	1,516

4. Net increase / (decrease) in cash and cash equivalents for the period	(69)	(565)
4.1 Cash and cash equivalents at beginning of period	613	1,111
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,574)	(2,752)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	439	671

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,066	1,516
4.5	Effect of movement in exchange rates on cash held	(9)	(11)
4.6	Cash and cash equivalents at end of period	535	535

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	535	613
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)	535	613

Includes the consolidation of FE Limited (per the audited accounts) which has a current quarter closing cash balance of A\$41k.

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
222
-

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	162
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 and corporate hospitality costs.

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	(984)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(15)
9.5 Administration and corporate costs	(1,021)
9.6 Other	-
9.7 Total estimated cash outflows	(2,020)

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	EPM 17449	Surrendered	100%	-
		EPM 17907	Surrendered	100%	-
		EPM 17910	Surrendered	100%	-
		EPM 25860	Surrendered	100%	-
		PE 4886	Sold	-	-
		PE 481	Sold	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Zambia - 21853-HQ-SEL ¹	-	-	-
		DRC (Kipushi) - PER 12347	Acquired	-	35%
		PE 4886	Acquired	-	-
		PE 481	Acquired	-	-

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

² Completion of this transaction is in progress, refer to ASX announcements for extent of interest.

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:

Date: 31 January 2018

Company Secretary

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.