

29 April 2016

QUARTERLY REPORT – 31 March 2016

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 March 2016.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

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

**Australian Securities Exchange
Code: CFE**

Ordinary shares
720,686,586

Unlisted Options
7,675,000 (\$0.088 exp 18 Dec 2016)

Board of Directors
Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Jason Brewer
Non-executive Director

Melissa Chapman
Company Secretary

Key Projects and Interests
Marampa Iron Ore Project
Pinnacle Group Assets

Cape Lambert Contact

Tony Sage
Executive Chairman

Eloise von Puttkammer
Investor Relations

Phone: +61 8 9380 9555
Email: info@capelam.com.au

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)207 920 3150
Mobile: +44 (0)7899 870 450

www.capelam.com.au

HIGHLIGHTS

- As at 31 March 2016, the Company had approximately A\$6.56 million in cash at bank.
- Completion of \$4m fully underwritten placement
- Cote d'Ivoire tenements sold to Newcrest subsidiary.

CORPORATE

Strategy and Business Model

Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert** or the **Company**) is an Australian domiciled, fully funded, mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, manganese, lithium and lead-silver-zinc assets in Australia, Asia, 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.

Capital Management

African Minerals Limited Shareholding

As previously announced, the Company advised Shareholders that administrators had been appointed to manage the affairs, business and property of African Minerals Limited (**AML**). There has been no change in the quarter and AML continues to be a substantial shareholder of the Company with a holding of 105,808,628 shares.

Investments

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 change during the quarter and the Mine remains on care and maintenance. The payment from Timis Mining to Cape Lambert of US\$2,566,420 for the March 2015 quarter royalty also remains unpaid.

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.

There has been no change during the quarter and repayment of the bridging finance is yet to be received by the Company.

Fully Underwritten Placement

The Company announced during the quarter that it had entered into an underwriting agreement with Gulf Energy International Limited (**Gulf**) for the placement of approximately 94 million shares at 4.25c per share to raise \$4m (before expenses) (refer ASX Announcement 11 and 12 January 2016) (**Underwriting Agreement**).

The placement completed during the quarter whereby Cape Lambert received \$3,795,250 (after placement costs) in cash and the Company issued 94,000,000 shares to Gulf thereby increasing the number of ordinary shares on issue to 720,686,586.

Cauldron Energy Limited

The Company owns a 15.84% interest in Cauldron Energy Limited (**ASX: CXU**) (**Cauldron**). During the quarter, Cauldron announced that it had successfully won legal proceedings against Beijing Joseph Investment Co. Ltd, Joseph Investment International Limited and Guangzhou City Guangrong Investment Management Co. Ltd (collectively the **Plaintiff**) which resulted in the payment of funds from the Plaintiff to Cauldron hence substantially increasing Cauldron's cash position.

FE Limited

Cape Lambert owns a 57.74% interest in FE Limited (**ASX: FEL**) (**FEL**). On 30 September 2015, FEL announced that it had signed a binding conditional terms sheet to acquire 100% of Cardinal House Group Pty Ltd who is a provider of online social gaming products and real money gambling platforms. During the quarter, FEL shareholders approved the resolutions to proceed with this transaction which is expected to complete in May 2016.

European Lithium Limited

Following the conversion of various loans and receivables, Cape Lambert owns a 26.2% interest in European Lithium Limited (**Euro Lithium**). Euro Lithium's Wolfsberg lithium project is located in Carinthia, 270 kilometres south of Vienna, Austria. Cape Lambert notes the recent investor interest in lithium companies and that during the Quarter the Company was advised that Euro Lithium was in early stage, non-binding discussions with a number of parties regarding an equity raising, debt restructuring and a potential transaction that would see Euro Lithium achieve a stock exchange listing.

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 two granted exploration licences (EL46A/2011 – 159.78 km² and EL46B/2011 – 66.00km² (formerly EL46/2011 – 305.18km²)) held by Marampa Iron Ore (SL) Limited, which is indirectly, a wholly owned subsidiary of Cape Lambert.

The Marampa Project is currently 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 is currently under care and maintenance.

Metal Exploration Limited (100% interest)

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds 15 granted exploration licences and one application in Sierra Leone covering approximately 1,688km². This land package covers the region 70km to the north and south of Marampa and is referred to as the Rokel Iron Ore Project (**Rokel** or **Rokel Project**). Rocks from the Marampa Group exist throughout the licence areas, much the same as the Marampa Project, and are known to host specularite schist bearing units.

The Rokel Project is prospective for discovery of hematite schist deposits geologically similar to those at Marampa and is located proximal to the existing Pepel infrastructure (refer Figure 2). Regional mapping and geophysics has identified a number of prospective areas to be followed up with future targeted exploration.

The Rokel Project is currently under care and maintenance.

Cote D'Ivoire (100% interest)

Metals Exploration Cote D'Ivoire SA Limited 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**) (refer Figure 3).

The Tenements all contain, or are adjacent to, Birimian Greenstones and metasediments and have significant structural characteristics known to host high tenor gold mineralisation in the district. The Birimian Group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian (Type 2 metasediments), and various basaltic to andesitic lavas and

volcanoclastics of the Upper Birimian (Type 1 Greenstone metavolcanics). Spatial distribution of gold mineralisation appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15km to 40km in width, associated with the Upper Birimian.

The Company announced during the 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.

The consideration for the Sale was US\$332,500, less a US\$50,000 non-refundable deposit which has already been paid, plus a 1% net smelter return royalty on gold produced from the Licences capped at US\$1million.

The Sale remains subject to Newcrest receiving approval from the Minister of Mines for the transfer of the Licences, which is expected to occur in the June 2016 quarter.

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) and 4 granted exploration permits for minerals (EPM's) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 5).

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier (Figure 7). 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.

The Wee MacGregor tenements can be classed as brownfields exploration as several copper occurrences and historical workings occur within the tenement boundaries. In addition, there are numerous under-explored geochemical and geophysical anomalies defined by previous explorers.

Mining International has been in discussion with the native title holder in regards to a Cultural Heritage Management Agreement for mining lease ML2771, which it hopes to finalise during the June 2016 quarter.

Figure 1: Group Structure March 2016

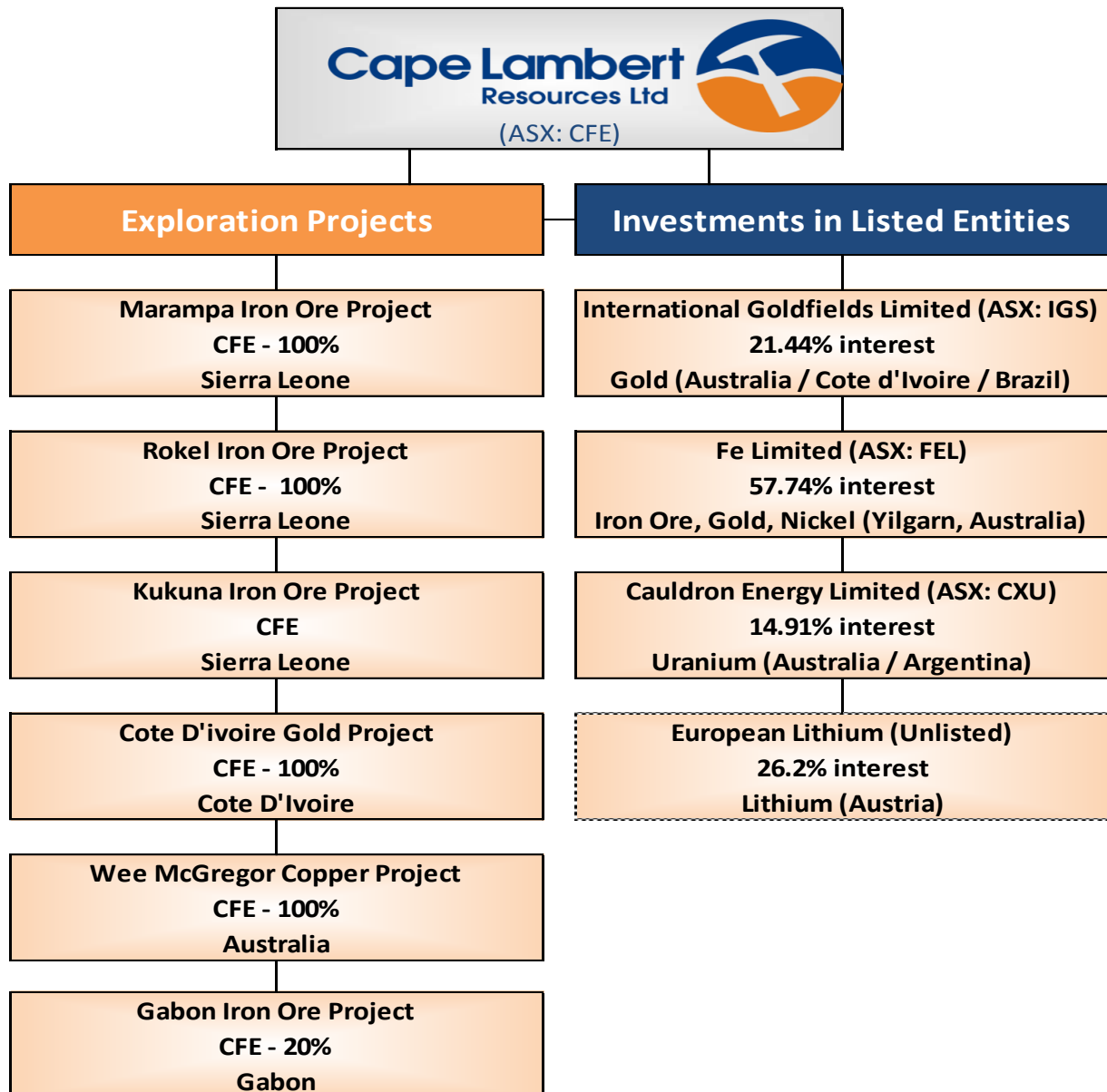


Figure 2: Cape Lambert West African Iron Ore Interests

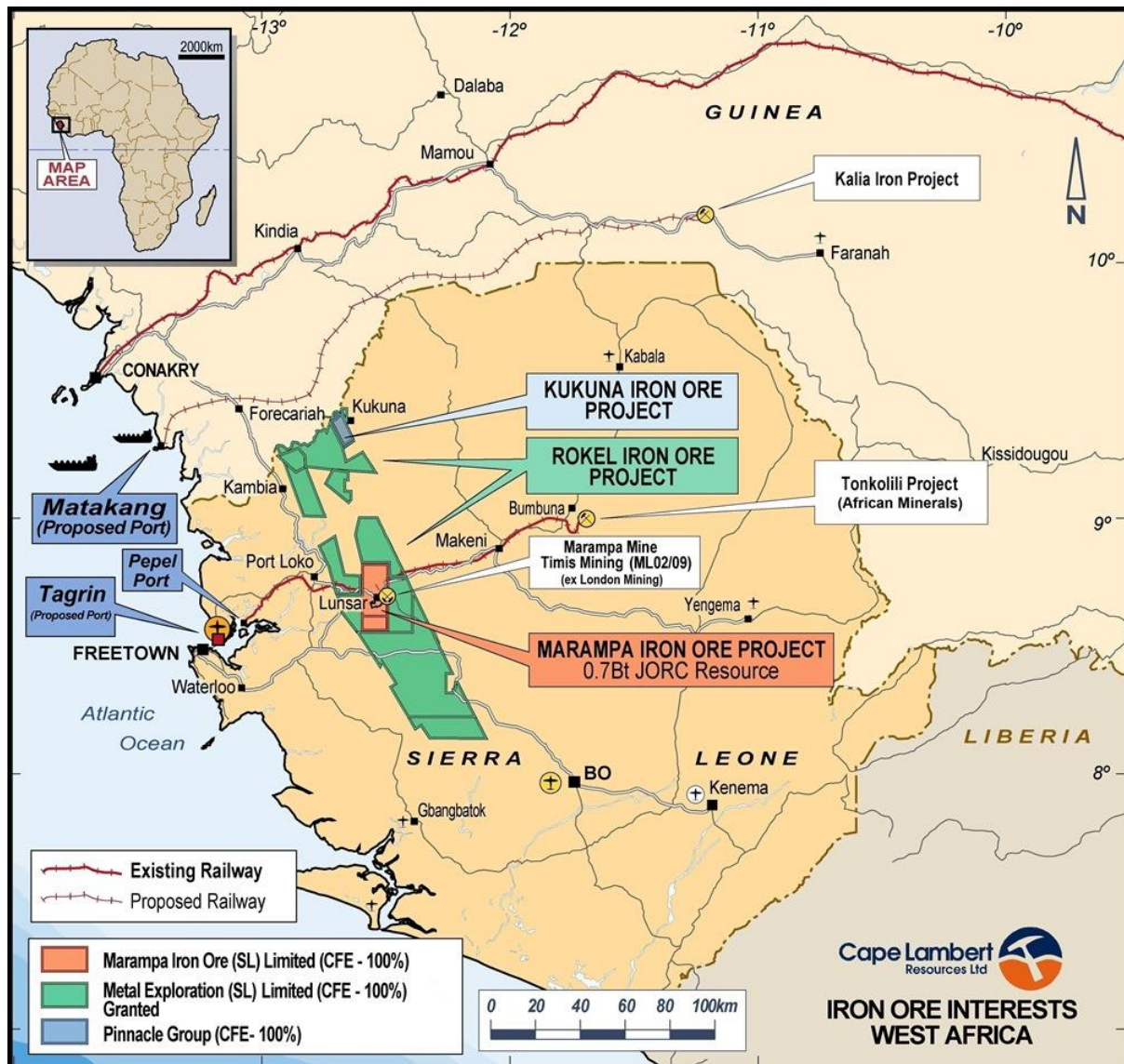


Figure 3: Cote D'Ivoire Tenements

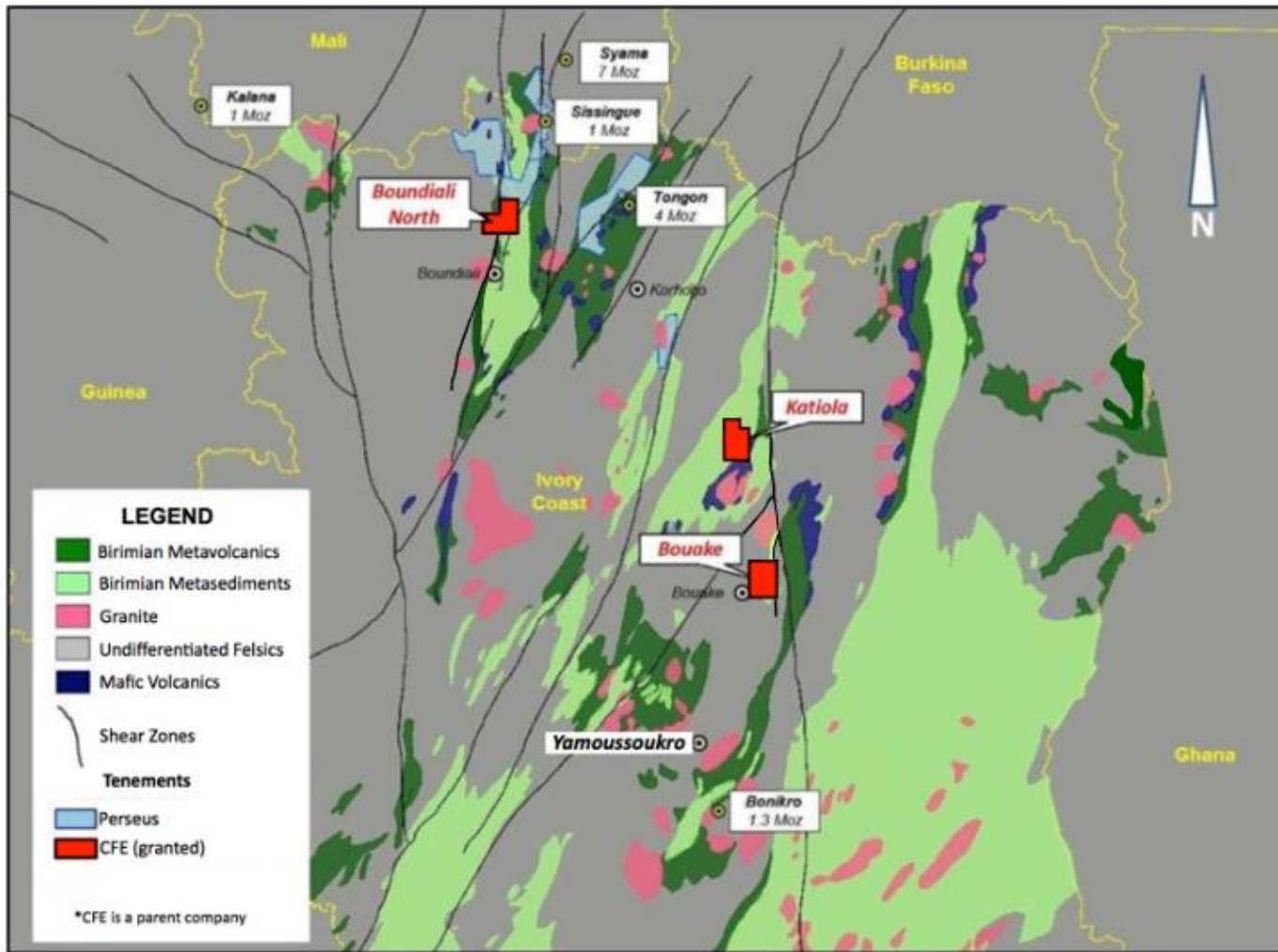


Figure 4: Rokel Projects Location Map

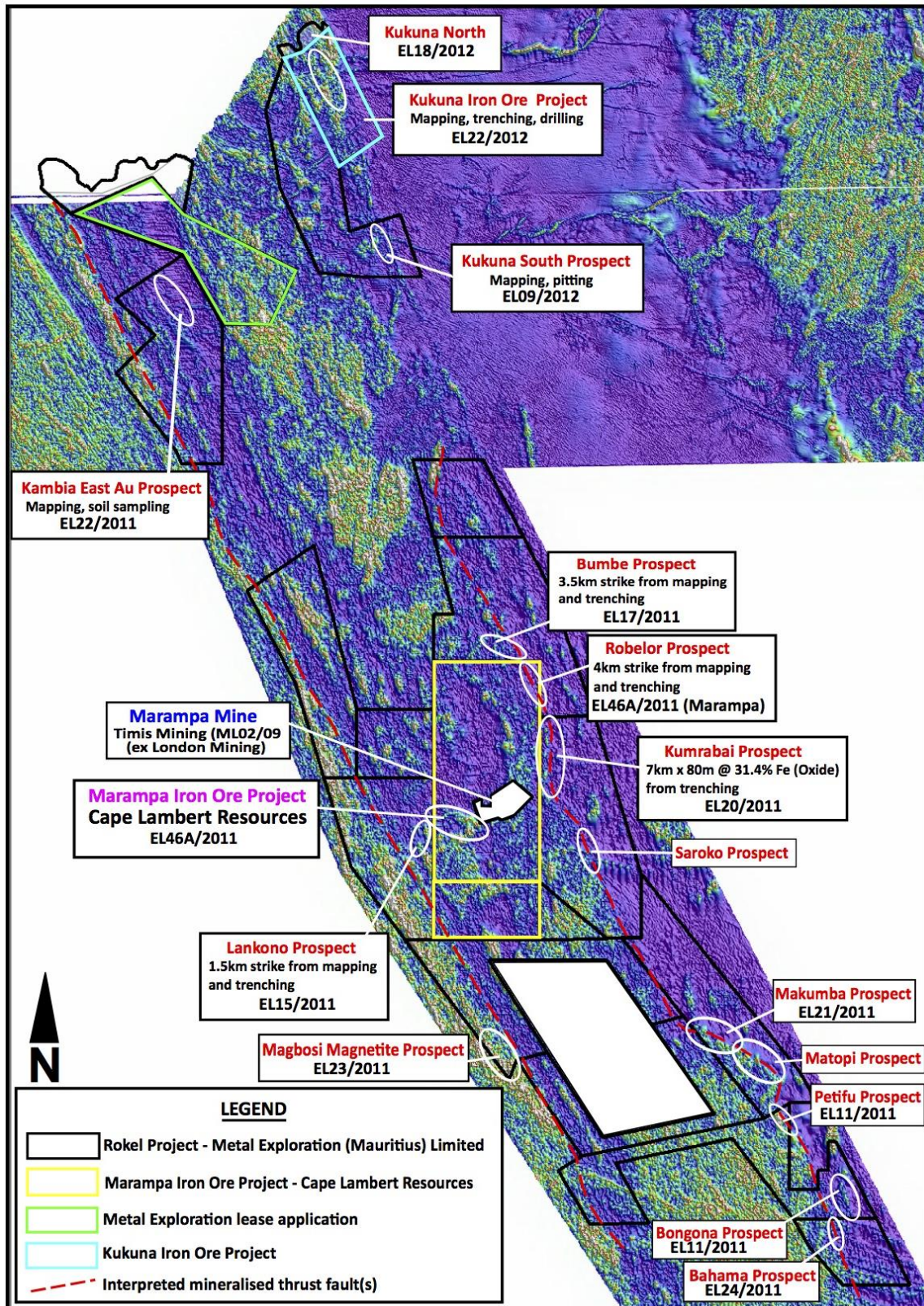
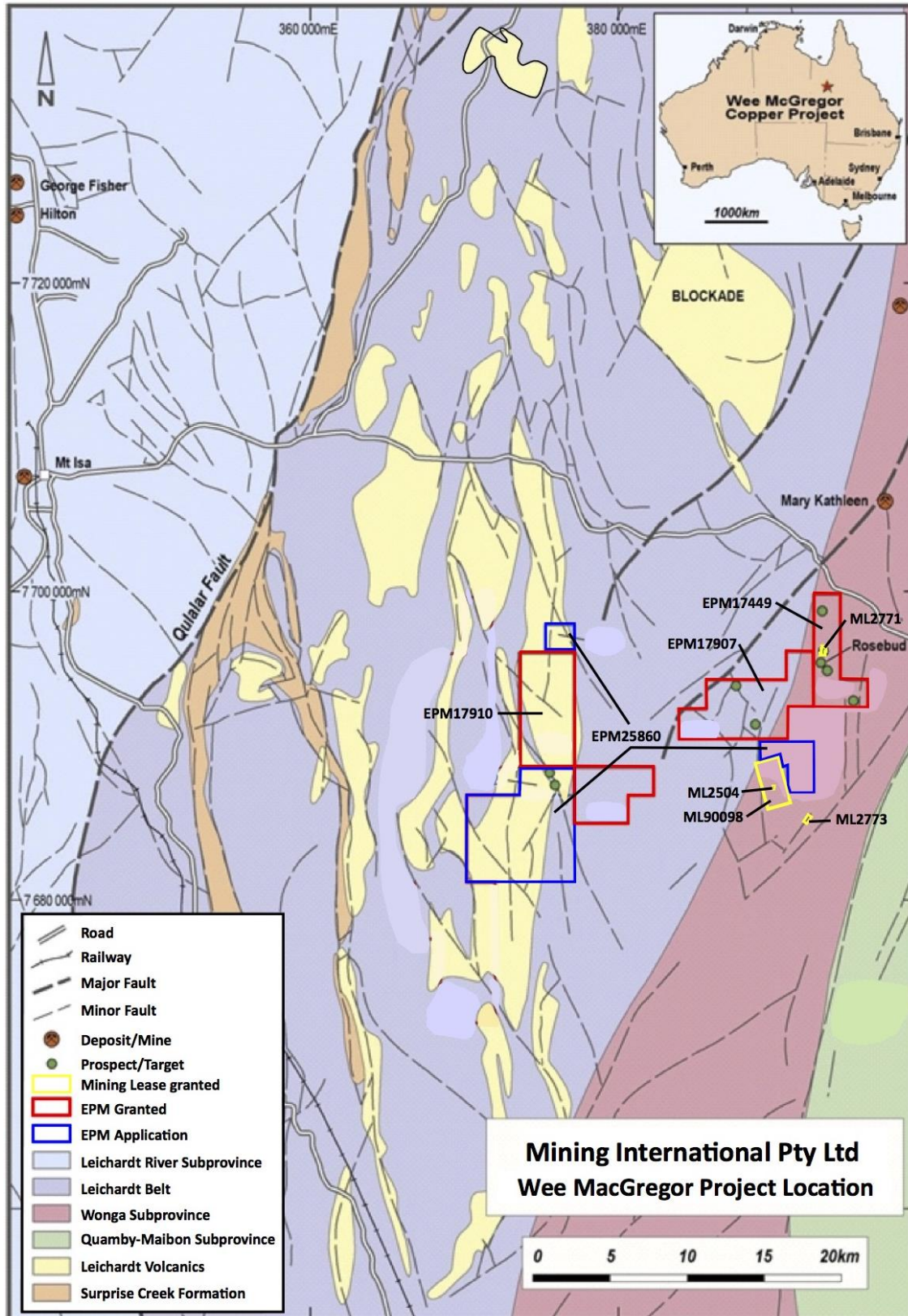


Figure 5: Wee MacGregor Project Location



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 - EL 46B/2011 | Lunsar - Sierra Leone | - | - | 100% |
| Rokel Project - EL 08/2012 | Yaya - Sierra Leone | - | - | 100% |
| Rokel Project - EL 09/2012 | Kukuna South - Sierra Leone | - | - | 100% |
| Rokel Project - EL 11/2011 | Gbahama - Sierra Leone | - | - | 100% |
| Rokel Project - EL 13/2011 | Gbinti - Sierra Leone | - | - | 100% |
| Rokel Project - EL 15/2011 | Lankono - Sierra Leone | - | - | 100% |
| Rokel Project - EL 16/2011 | Makonkari - Sierra Leone | - | - | 100% |
| Rokel Project - EL 17/2011 | Karina - Sierra Leone | - | - | 100% |
| Rokel Project - EL 18/2011 | Kukuna North - Sierra Leone | - | - | 100% |
| Rokel Project - EL 19/2011 | Lankono North - Sierra Leone | - | - | 100% |
| Rokel Project - EL 20/2011 | Marampa East - Sierra Leone | - | - | 100% |
| Rokel Project - EL 21/2011 | Mawanka - Sierra Leone | - | - | 100% |
| Rokel Project - EL 22/2011 | Kambia East - Sierra Leone | - | - | 100% |
| Rokel Project - EL 23/2011 | Magbosi - Sierra Leone | - | - | 100% |
| Rokel Project - EL 24/2011 | Gbangbama - Sierra Leone | - | - | 100% |
| Rokel Project - EL 25/2011 | Gbinti West - 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% |

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows

| Cash flows related to operating activities | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|------------------------------|---------------------------------------|
| 1.1 Receipts from product sales and related debtors | - | - |
| 1.2 Payments for (a) exploration & evaluation ² (b) development (c) production (d) administration ¹ | (1,238) - - (1,052) | (4,072) - - (3,612) |
| 1.3 Dividends received | - | - |
| 1.4 Interest and other items of a similar nature received | 11 | 63 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Other (provide details if material) ² | (81) | 164 |
| Net Operating Cash Flows | (2,360) | (7,457) |
| Cash flows related to investing activities | | |
| 1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets | - (1) - | - (31) - |
| 1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets (d) controlled entity | 460 - - - | 460 201 - - |
| 1.10 Loans to other entities | - | - |
| 1.11 Loans repaid by other entities | - | 40 |
| 1.12 Other: Repayment of convertible notes Other: Payment of transaction related and business development costs | - - | 157 (68) |
| Net investing cash flows | 459 | 759 |
| 1.13 Total operating and investing cash flows | (1,901) | (6,698) |
| Cash flows related to financing activities | | |
| 1.14 Proceeds from issues of shares, options, etc. | 3,795 | 3,795 |
| 1.15 Proceeds from sale of forfeited shares | - | - |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | |
|------|---|--------------|-----------------|
| 1.16 | Proceeds from borrowings | - | - |
| 1.17 | Repayment of borrowings | - | - |
| 1.18 | Dividends paid | - | - |
| 1.19 | Other: FEL Converting Loan Note | - | 43 ¹ |
| | Net financing cash flows | 3,795 | 4,226 |
| | Net increase (decrease) in cash held | 1,894 | (2,472) |
| 1.20 | Cash at beginning of quarter/year to date | 4,690 | 9,034 |
| 1.21 | Exchange rate adjustments to item 1.20 | (21) | 1 |
| 1.22 | Cash at end of quarter | 6,563 | 6,563 |

¹ Includes FE Ltd cash movements given CFE owns 57.74% of FE Ltd

² The current quarter is negative movement as the deposit for the proceeds was from sale of prospects has been reallocated from operating to investing activities

Payments to directors of the entity, associates of the directors, 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 | 202 |
| 1.24 | Aggregate amount of loans to the parties included in item 1.10 | - |

1.25 Explanation necessary for an understanding of the transactions

\$202,000 (excluding GST) 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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

Estimated cash outflows for next quarter

| | \$A'000 |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 1,100 |
| 4.2 Development | - |
| 4.3 Production | - |
| 4.4 Administration | 1,000 |
| Total | 2,100 |

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 | 6,563 | 4,690 |
| 5.2 Deposits at call | - | - |
| 5.3 Bank overdraft | - | - |
| 5.4 Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.22) | 6,563 | 4,690 |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

| | Tenement reference and location | Nature of interest (note (2)) | Interest at beginning of quarter | Interest at end of quarter | |
|-----|---|-------------------------------|----------------------------------|----------------------------|----|
| 6.1 | Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed | EL08/2012 | Expired | 100% | 0% |
| | | EL09/2012 | Expired | 100% | 0% |
| | | EL284 | Sold | 100% | 0% |
| | | EL285 | Sold | 100% | 0% |
| | | EL286 | Sold | 100% | 0% |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased | - | - | - | |

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 | 720,686,586 | 720,686,586 | |
| 7.4 | Changes during quarter | | | |
| | (a) Increases through issues | 94,000,000 | 94,000,000 | \$0.0425 |
| | (b) Decreases through returns of capital, buy-backs | - | - | |
| 7.5 | +Convertible debt securities | - | - | |
| | <i>(description)</i> | | | |

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

| | | | | | |
|------|---|-----------|-----------|------------------------|-------------------------|
| 7.6 | Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| 7.7 | Options <i>(description and conversion factor)</i> | 7,675,000 | 7,675,000 | Exercise price \$0.088 | Expiry date 18 Dec 2016 |
| 7.8 | Issued during quarter | - | - | - | - |
| 7.9 | Exercised during quarter | - | - | - | - |
| 7.10 | Expired/Canceled during quarter | - | - | - | - |
| 7.11 | Debentures <i>(totals only)</i> | - | - | | |
| 7.12 | Unsecured notes <i>(totals only)</i> | - | - | | |

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 29 April 2016

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 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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.