

28 October 2016

QUARTERLY REPORT – 30 September 2016

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 30 September 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

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HIGHLIGHTS

- As at 30 September 2016, the Company had approximately A\$3.94 million in cash at bank.
- European Lithium Limited lists on the ASX (ASX: EUR)
- Executive Chairman signs new 3 year contract

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**).

Subsequent to the quarter end, the Company advised shareholders that AML had divested their shareholding and no longer hold any shares in Cape Lambert.

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 however the Company does note the positive changes in the iron ore price during the period. The payment from Timis Mining to Cape Lambert of US\$2,566,420 for the March 2015 quarter royalty also remains unpaid. The Company is in negotiations with Timis to expedite a resolution regarding the unpaid amount.

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. The Company is in negotiations with Timis to expedite a resolution regarding the facility.

European Lithium Limited

On 11 May 2016, the Company announced that Euro Lithium Limited (**Euro Lithium**) is aiming to list on the ASX by way of reverse takeover with Paynes Find Gold Limited (**ASX: PNE**) (**Paynes**).

Euro Lithium is the 100% owner of the Wolfsberg lithium project which is located in Carinthia, 270 kilometers south of Vienna, Austria (**Wolfsberg**). Wolfsberg has a JORC compliant inferred resource of 3,700,000 tonnes at 1.5% Li₂O (55,000 tonnes contained lithium) with additional drilling due to commence before completion of the transaction with a view of upgrading the resource. Euro Lithium has spent EUR€11.53 million on acquiring and exploring Wolfsberg which includes the completion of 17,000 metres of drilling and 1,400 metres of declines, drives and crosscuts. Wolfsberg has a planned production profile of 15 to 20 months following the proposed acquisition by Paynes.

On 25 July 2016, Paynes shareholders approved the resolutions to proceed with this transaction. On 16 September 2016, Euro Lithium was reinstated to the official list of the Australian Securities Exchange.

Cape Lambert owns a 13.57% shareholding in Euro Lithium.

Executive Chairman's Contract

On 26 August 2016, the Company entered into a new consultancy agreement with Okewood Pty Ltd (**Okewood**) to provide the services of Chairman of Cape Lambert.

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 (refer Figure 2). 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 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 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.

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 yet to occur but now expected to occur in the October 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 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.

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 finalized the Cultural Heritage Management Agreement with the native title holders for mining lease ML2771.

Mining International granted Argosy Minerals Limited a 6 month extension to the 12 month time period for the minimum \$250k expenditure required by the Farm-in Agreement for the Wee McGregor tenements (ML2504, ML2773 and ML90098).

During the quarter, Mining International executed a Farm-in Joint Venture Agreement with Firebird Minerals Pty Ltd (**Firebird**) for its Lady Ethleen Project located on ML2771. Under the terms of the agreement;

- Firebird will earn an 80% interest in ML2771 subject to meeting a Project expenditure requirement of \$100,000 by 5 August 2017, or otherwise making a "Decision to Mine" prior to that date; and
- Firebird will manage all exploration, development and mining activities at the Project.

Figure 1: Group Structure September 2016

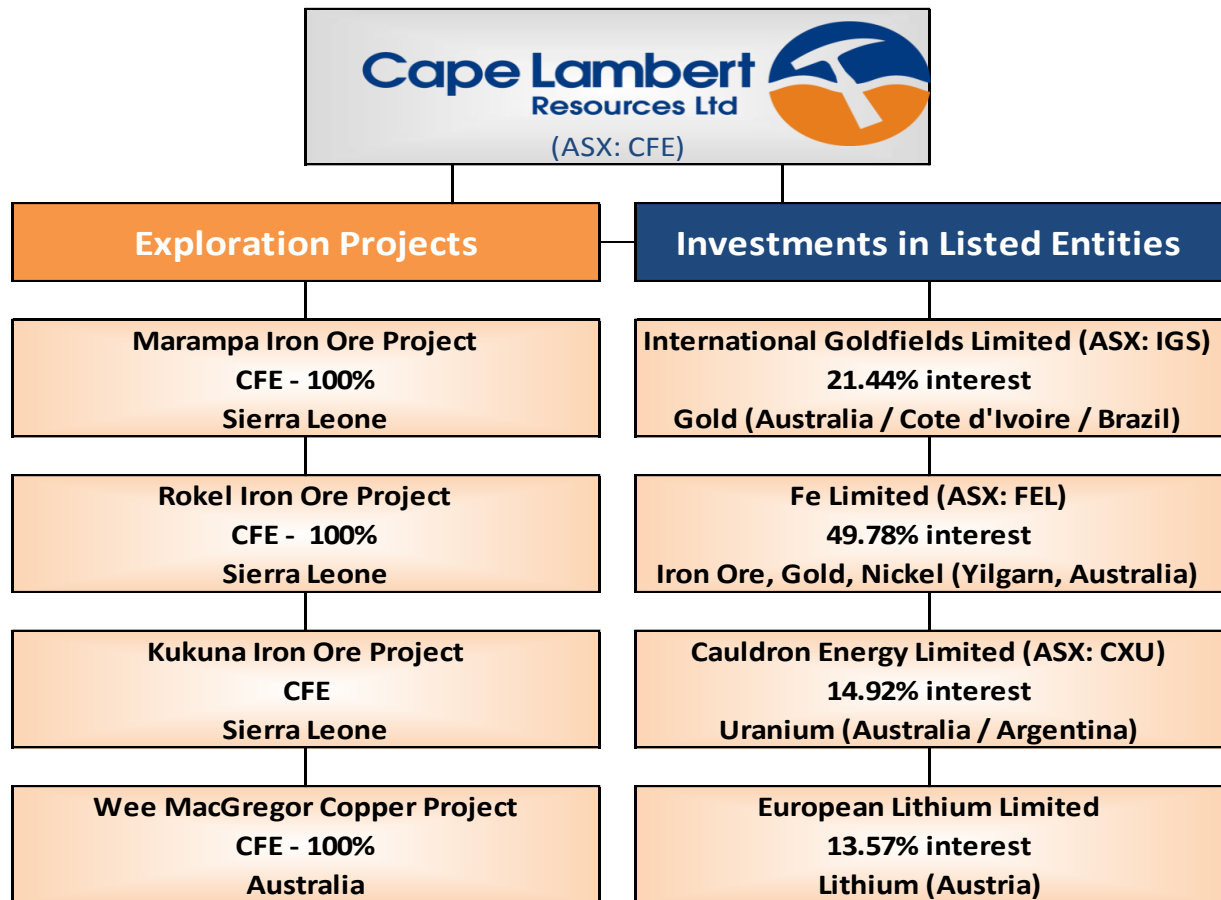


Figure 2: Cape Lambert West African Iron Ore Interests

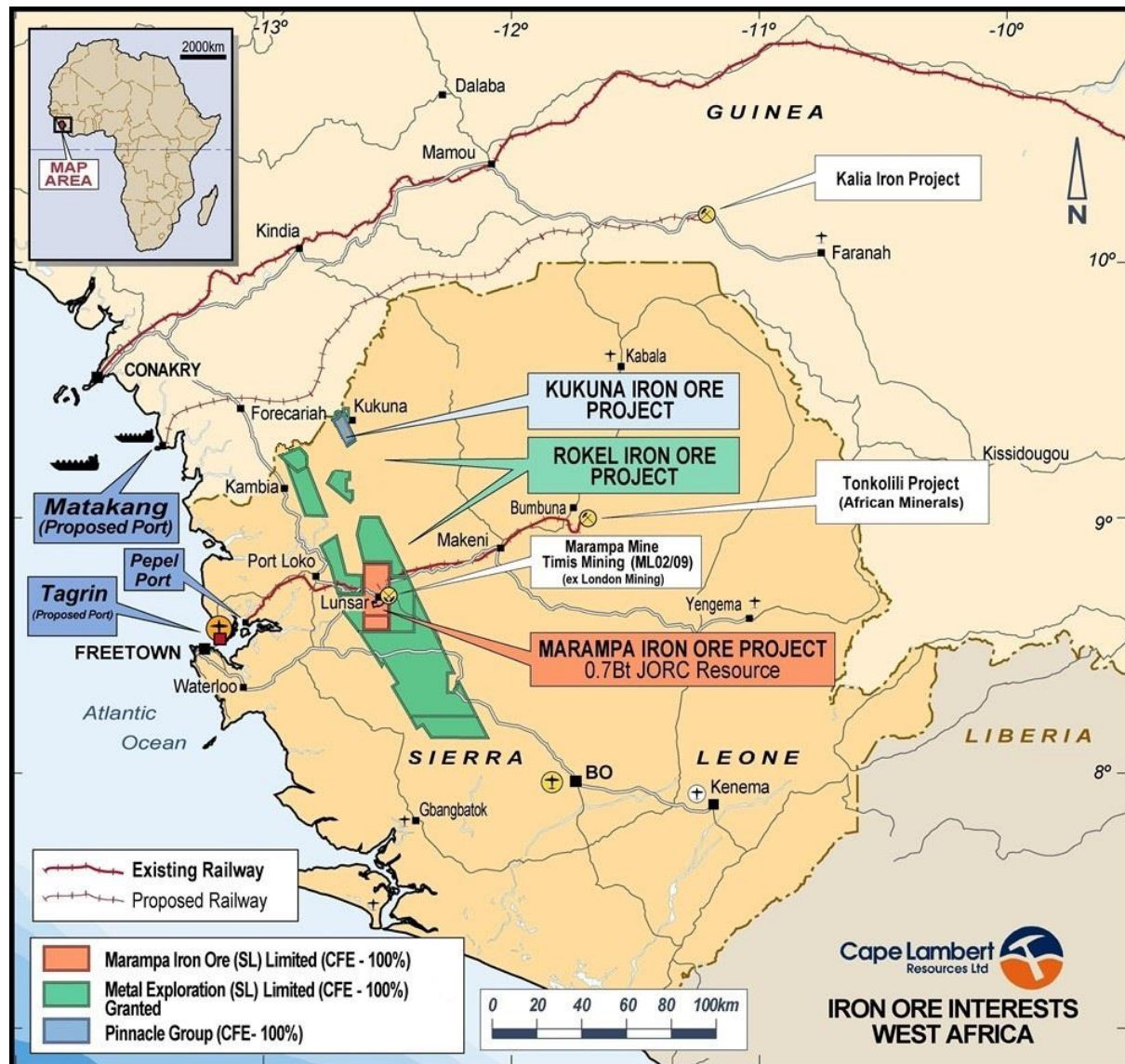


Figure 3: Cote D'Ivoire Tenements

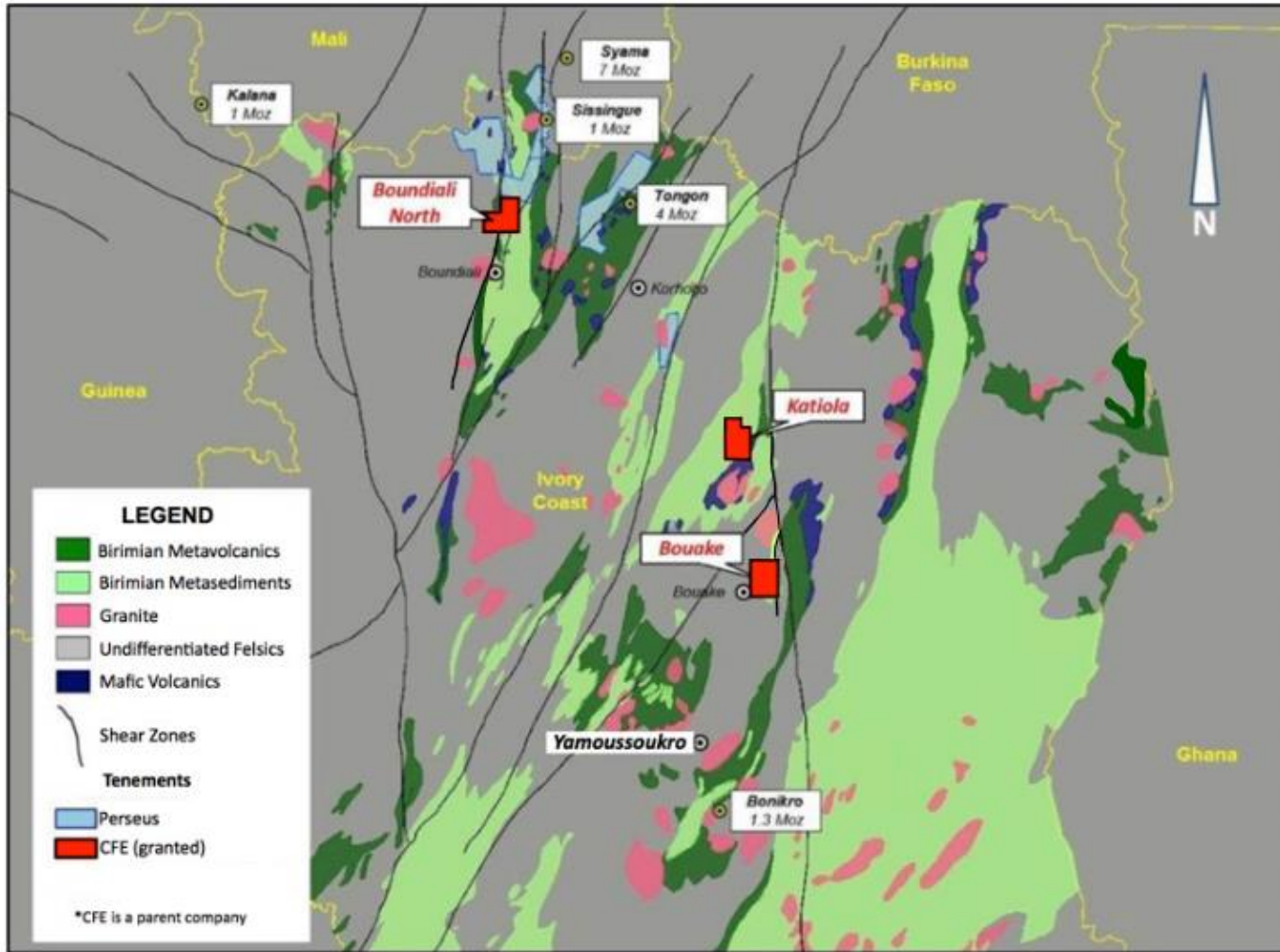
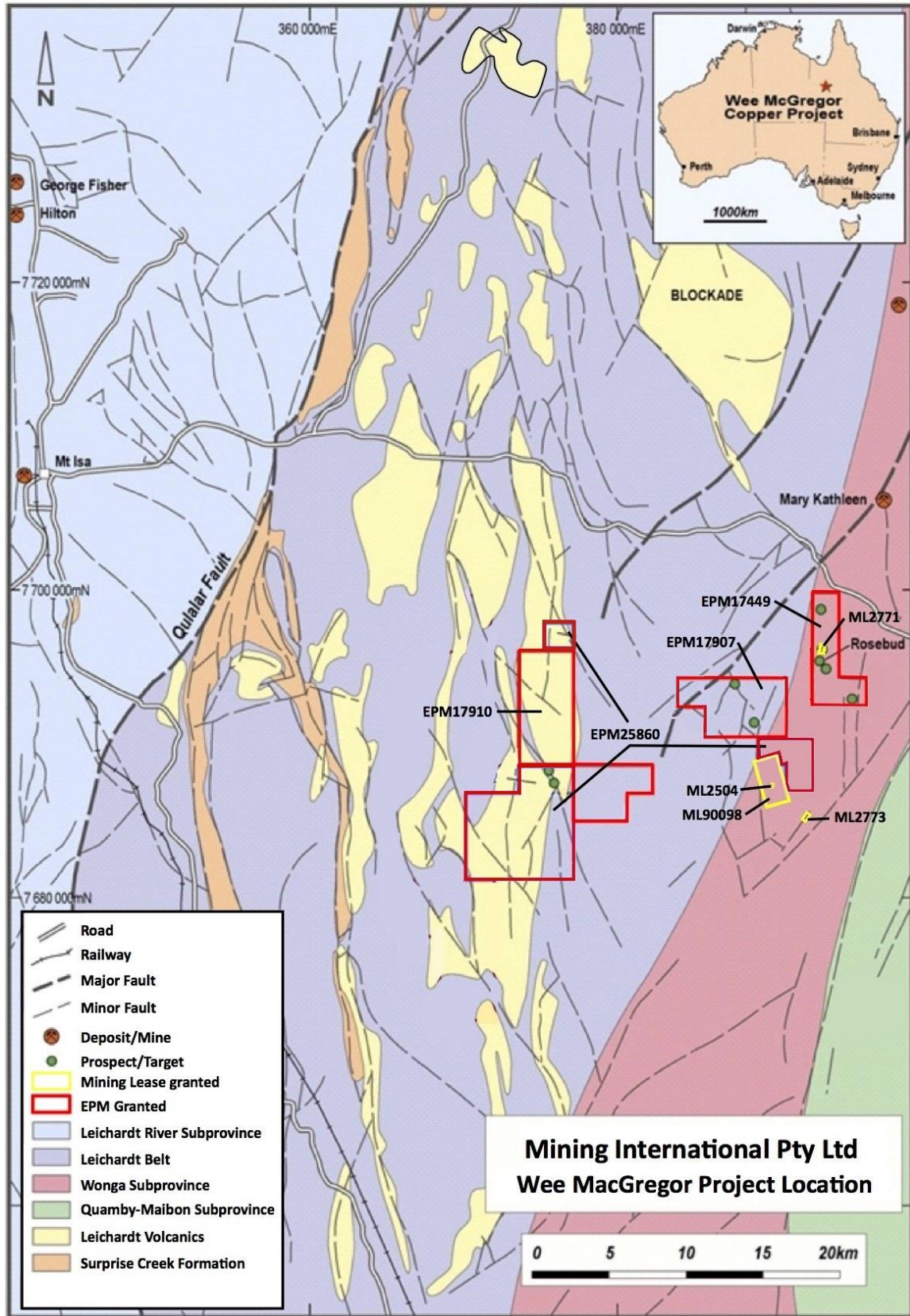


Figure 4: Wee MacGregor Project Location



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 - EL 46B/2011	Lunsar - Sierra Leone	-	-	100%
Marampa Project - ML 05/2014	Lunsar - 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%

* pending transfer to a subsidiary of Newcrest Mining Limited

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")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(646)	(646)
(b) development	-	-
(c) production	-	-
(d) staff costs	(83)	(83)
(e) administration and corporate costs	(992)	(992)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	14
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,707)	(1,707)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(242)	(242)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	33	33
	(b) tenements (see item 10)	-	-
	(c) investments	236	236
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	27	27
3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	-	-
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	-	-
4.	Net increase / (decrease) in cash and cash equivalents for the period	(1,680)	(1,680)
4.1	Cash and cash equivalents at beginning of period	5,615	5,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,708)	(1,708)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	26	26

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	3	3
4.6	Cash and cash equivalents at end of period	3,936	3,936

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	3,936	5,615
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)	3,936	5,615

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
231
-

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

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	-
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	

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	485
9.2 Development	-
9.3 Production	-
9.4 Staff costs	89
9.5 Administration and corporate costs	812
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,386

Mining exploration entity and oil and gas exploration entity quarterly report

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:

Date: 28 October 2016

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.