

31 October 2017

QUARTERLY REPORT – 30 September 2017

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 30 September 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
870,519,919

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

Melissa Chapman
Company Secretary

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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, 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 30 September 2017, the Company had approximately A\$613k (including FE Limited cash of A\$232k which is consolidated in accordance with accounting standards) in cash at bank.

Capital Management

Placement

Subsequent to the quarter end, the Company announced the completion of a placement of 37,500,000 ordinary fully paid shares at \$0.03 to raise cash proceeds of \$1.06m and settle liabilities of the company of \$65k. The funding will be used for general working capital purposes and to advance the Company's cobalt projects in Africa.

Investments

Sale of Mayoko Royalty

On 13 February 2017, the Company advised shareholders that it had sold its 100% owned royalty in the Mayoko iron ore project for A\$1,000,000. The sale is subject to the formality of the new owners signing off on the transaction, which is still being progressed and expecting to complete in early 2018.

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**).

On 17 May 2017, the Company announced that it had executed the joint venture agreement with Paragon. The incorporation of the new joint venture company “Soludo-Lambert Mining SAS” is currently being processed with the constitution recently finalised by the Company’s and Paragon’s lawyers. The incorporation will be completed in the December 2017 quarter and the key licences and permits will be transferred to the joint venture company thereafter.

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.

Discussions with several major international trading groups based in Switzerland, the United States and Europe have progressed, with further meetings scheduled and confirmed to take place during London Metal Exchange Week between 30 October and 3 November 2017.

b. Strategic Investor

During the quarter, representatives of a major Chinese industrial group (**China Group**) completed a technical site visit to the Kipushi Tailings Project. Samples of the tailings material were taken and metallurgical testwork was subsequently completed by them in China.

The Company will commence negotiations on a strategic investment in and partnership with the company proposed by China Group to secure planned cobalt and copper production from the Kipushi Tailings Project. The proposed investment, which is early stage and non-binding, is planned to be structured by way of a commodity linked debt instrument, with the proceeds to be used to fund all plant works and upgrades required at the Kipushi Processing Plant in order to commence the retreatment of the Kipushi tailings.

In addition, additional further working capital funding is under negotiation that is proposed to assist the Company in its broader strategy of acquiring other advanced cobalt and copper projects in the DRC and in Zambia.

c. Assignment of Kasombo Project to Fe Limited

During the quarter, the Company announced that it had entered into a binding terms sheet (**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).

In consideration for Cape Lambert assigning its rights in the Kasombo Project to FEL, FEL agrees to:

- issue 25 million fully paid ordinary shares in FEL at a deemed issue price, equal to the volume weighted average closing price of FEL shares as quoted on ASX over the last five (5) trading days immediately preceding the execution of the Terms Sheet, to Cape Lambert (**Consideration Shares**);
- a \$50,000 payment on execution of the Terms Sheet as a contribution towards pre-settlement expenditure;

- a maximum contribution of up to \$75,000 on the date which is three (3) months after the settlement date towards pre-settlement expenditure; and
- issue 10 million fully paid ordinary shares in FEL at a deemed issue price, equal to the volume weighted average closing price of FEL shares as quoted on ASX over the last five (5) trading days immediately preceding the execution of the Terms Sheet, to the facilitator of the Transaction (**Facilitator Shares**).

Settlement of the Transaction is conditional upon:

- (a) completion of legal, technical and financial due diligence by FEL;
- (b) FEL receiving shareholder approval in relation to the Transaction including approval to issue:
 - I. the Consideration Shares to Cape Lambert (in accordance with Item 7 of Section 611 of the Corporations Act if required); and
 - II. the Facilitator Shares to the facilitator of the Transaction;
- (c) completion of the Kasombo Transfer to the JV Company in accordance with the terms of the JV Agreement;
- (d) execution by the relevant parties of a formal agreement to more fully document the Transaction; and
- (e) receipt of consent from all relevant parties in respect of the Transaction,

A general meeting of Cape Lambert shareholders is being held on 3 November 2017 to approve the Transaction.

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.

At the request of the Seller, execution of the share sale agreement was extended to 17 November 2017, to which the Company agreed.

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 presently in discussions with the Defendants in regards to proceeding to Arbitration.

ATO Audit

As previously announced, the Company is currently the subject of an audit by 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 Company has been in advanced negotiations with the Commissioner and is in the final stages of entering into a binding heads of agreement with the Commissioner in an effort to reach a negotiated settlement of the Audit Matters. The key terms of the settlement are expected to be based on the following:

- (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.

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**), while Kasombo Copper-Cobalt Project consists of 3 mineralised areas of approximately 600Ha (Kasombo 5, 6 and 7) located within mining licences PE 481 and PE4886), 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 on the Kipushi tailings at the laboratory of Mintek in South Africa, as well as Axis House. Due to the lack of timely progress at Mintek, the Company elected to end the work at Mintek and continue with the testwork at Axis House.

Axis House conducted testing using various process parameters and conditions to determine copper and cobalt grades against recoveries. The testwork produced a saleable concentrate of approximately 10% Copper and 1.8% Cobalt with recoveries of 75% and 50% respectively achieved. Further optimization work is planned for improvement of the Cobalt grade and recovery.

Kasombo Project

The DRC office of geological consultants SRK were commissioned to assist with undertaking the preliminary exploration work at the Kasombo Project, which includes a desktop study on the available information from La Generale Des Carrieres Et Des Mines S.A. (**Gecamines**),

the holder of the mining licences, as well as undertaking detailed mapping of the Kasombo 5, 6 and 7 area.

SRK reported having difficulties in retrieving historical information from Gecamines due to the sporadic way the information is held by Gecamines. SRK were also delayed in commencing the mapping works at Kasombo due to personnel issues. The information subsequently received on mapping works completed by SRK was deemed unsatisfactory and the Company has instructed them to undertake further work in order to improve the quality of the report. SRK have subsequently advised that they do not wish to continue with the work due to personnel issues. Cape Lambert is therefore arranging for alternative personnel to undertake the work.

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**).

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 Sale remains subject to Newcrest receiving sign off from the Minister of Mines for the transfer of the Licences. The transfer paperwork remains at the office of the Minister of Mines pending his signature.

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.

During the quarter Cohiba Minerals Limited (**Cohiba**) notified the market that it had completed the acquisition of all the issues shares in Cobalt-X and that it will target high grade copper-cobalt mineralization at Wee MacGergor (refer Cohiba ASX announcements dated 24 July 2017).

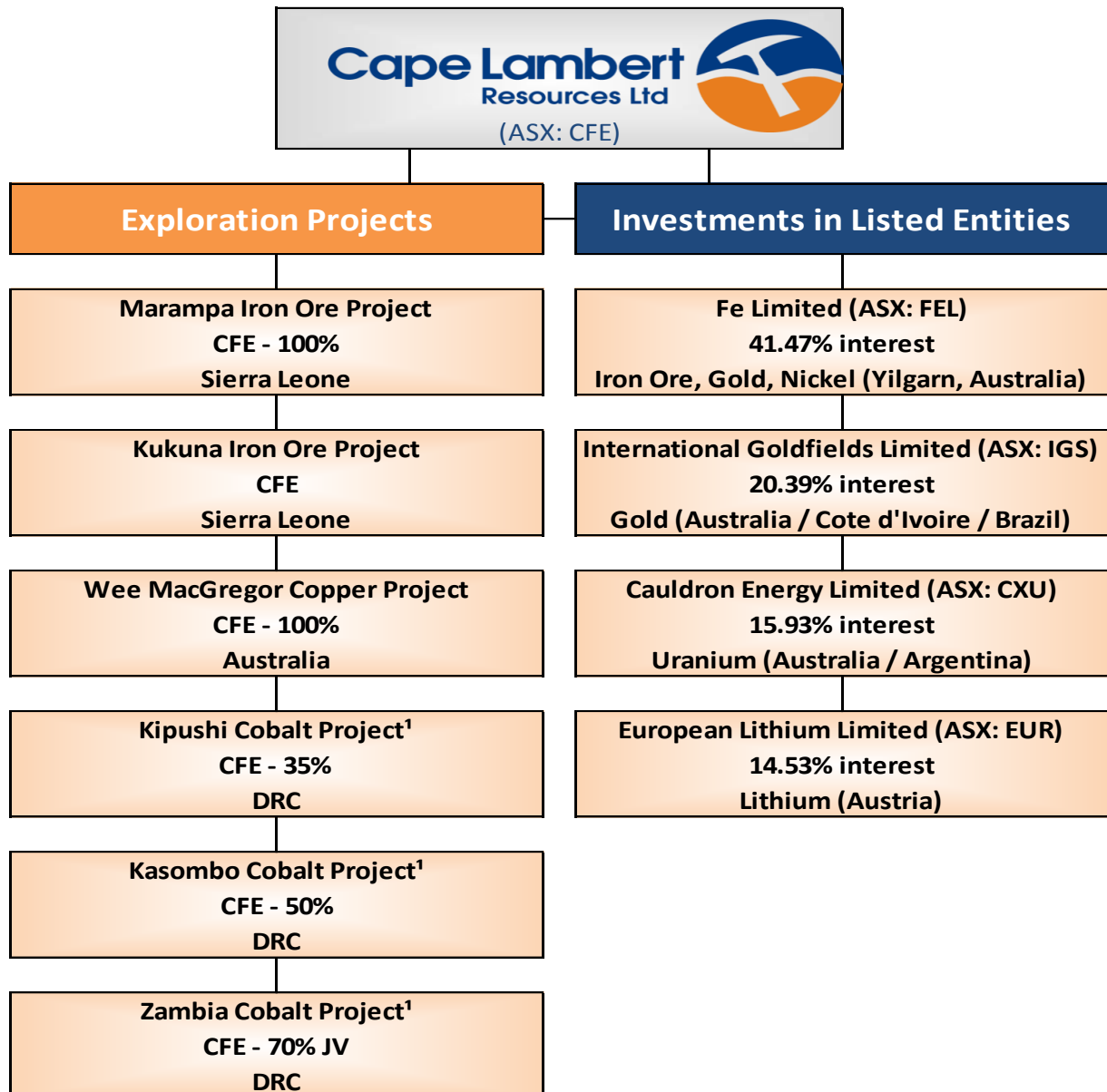
Cohiba also announced on 7 August 2017 the results from preliminary (Niton-XRF) rock chip sampling indicating the high copper and cobalt grades at several locations both within the existing resource area and at satellites or extensions, including:

- 14.2% Cu and 0.12% Co at Rosebud;
- 45.38% Cu and 1.88% Co with the resource area; and
- 7.45% Cu and 0.94% Co as Wee MacGregor South,

(refer Cohiba ASX announcement dated 7 August 2017).

During the quarter the Cultural Heritage and Management Agreement (CHMA) for MLs 2504, 2773 and 90098 was finalized and executed by the Kalkadoon Native Title Claimants (Kalkadoon).

Figure 1: Group Structure September 2017



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

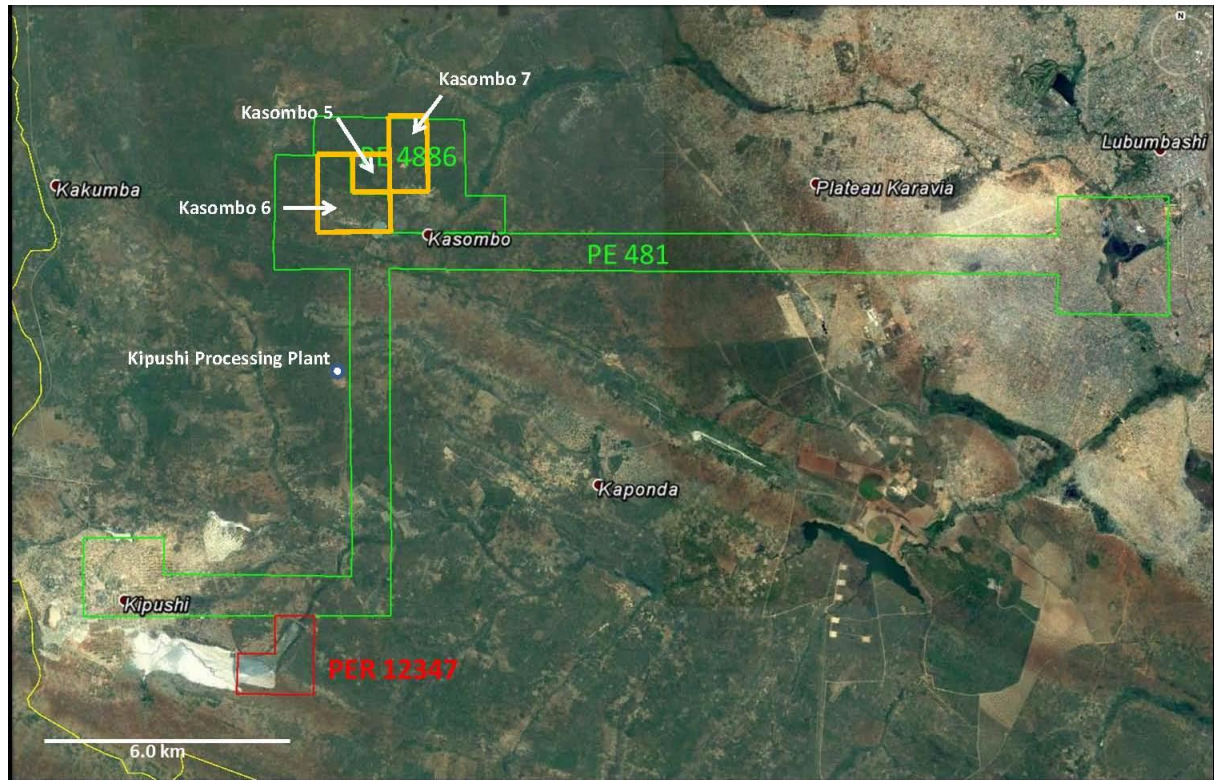
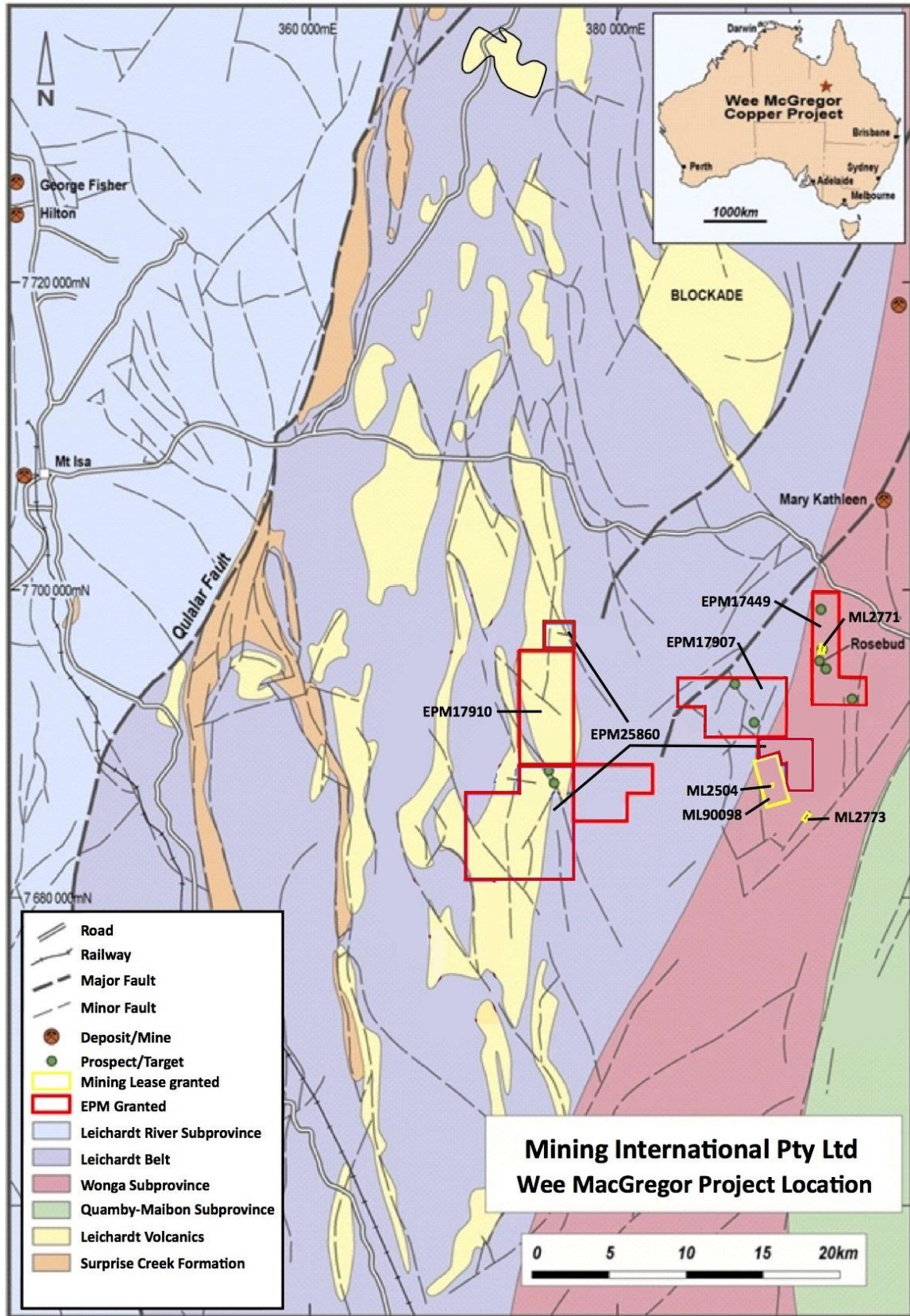


Figure 4: Wee MacGregor Project Location



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%
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 ²	Kasombo – DRC	-	-	-
Kasombo 6 on PE 481 ²	Kasombo – DRC	-	-	-

* pending transfer to a subsidiary of Newcrest Mining Limited

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.

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 2017

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	(309)	(309)
(b) development	-	-
(c) production	-	-
(d) staff costs	(76)	(76)
(e) administration and corporate costs	(796)	(796)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
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	(1,179)	(1,179)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(15)	(15)
(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	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	247	247
	(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	232	232
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	450	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	450	450
4.	Net increase / (decrease) in cash and cash equivalents for the period	(497)	(497)
4.1	Cash and cash equivalents at beginning of period	1,111	1,111
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,178)	(1,178)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	232	232

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)	450	450
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	613	613

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	613	1,111
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)	613	1,111

Includes the consolidation of FE Limited (per the audited accounts) which has a current quarter closing cash balance of A\$232k.

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	106
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	(499)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(91)
9.5 Administration and corporate costs	(947)
9.6 Other (proceeds from issue of shares)	1,060
9.7 Total estimated cash outflows	(477)

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

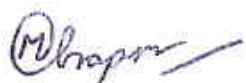
10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Zambia - 21853-HQ-SEL ¹ DRC (Kipushi) - PER 12347 ² DRC (Kasombo) – PE 4886 ² DRC (Kasombo) – PE 481 ²	- - - -	- - - -	- - - -

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 October 2017

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.