

31 October 2018

QUARTERLY REPORT – 30 September 2018

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 30 September 2018.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

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

**Australian Securities Exchange
Code: CFE**

Ordinary shares
1,011,734,914

Unlisted Options
15,336,363 (\$0.07 exp 12 Mar 2020)
7,667,727 (\$0.07 exp 19 Mar 2020)
5,250,000 (\$0.04 exp 31 Mar 2020)

Board of Directors
Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Stefan Müller
Non-executive Director

Melissa Chapman
Company Secretary

Cape Lambert Contact
Investor Relations
Phone: +61 8 9380 9555
Email: info@capelam.com.au

www.capelam.com.au



CORPORATE

Strategy and Business Model

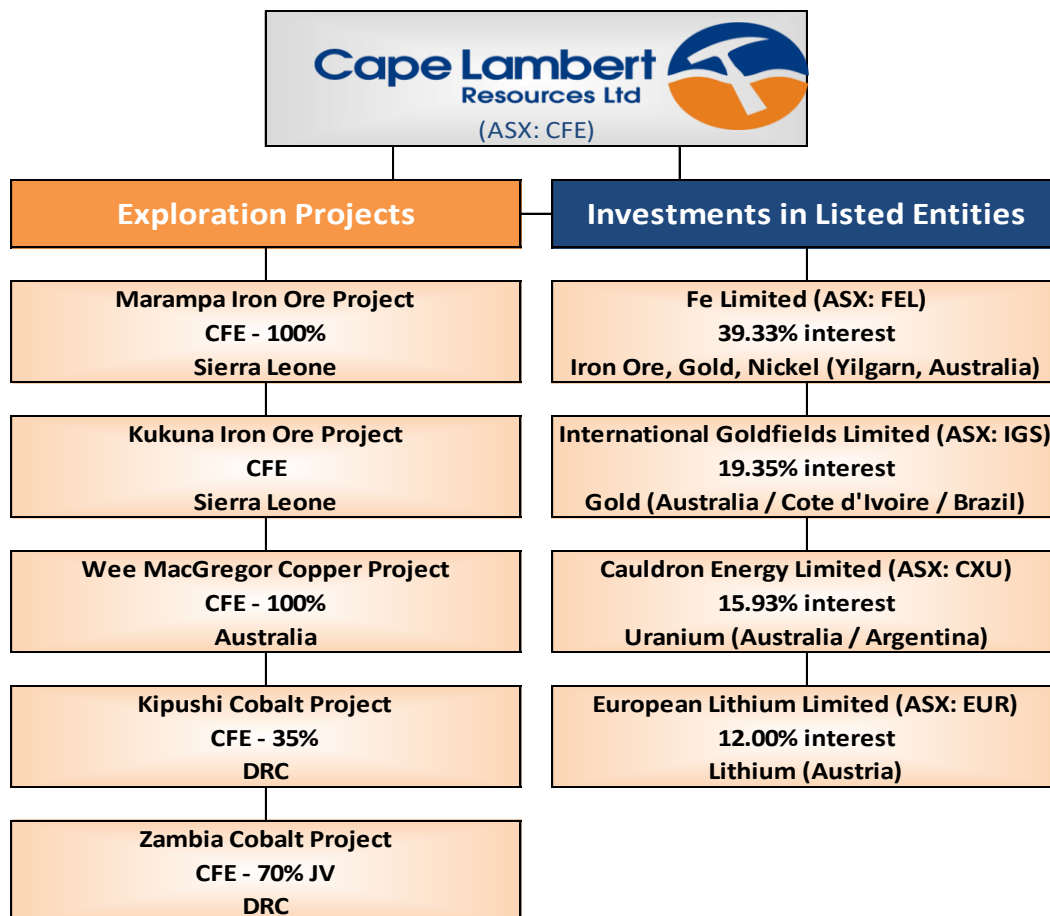
Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert** or the **Company**) is an Australian domiciled mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc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

Figure 1: Group Structure September 2018



Cash Balance

As at 30 September 2018, the Company had approximately A\$841k. Prior to 30 June 2018, the Company controlled FE Limited (**FEL**) and as such consolidated its cash at bank it in accordance with accounting standards. The Company's control over FEL has ceased and as such not accounts for its investments in FEL using the equity method.

Placements

On 3 July 2018, the Company completed a placement of 1,000,000 fully paid ordinary shares at \$0.03 per share to raise cash proceeds of \$30,000 (before costs).

On 13 July 2018 the Company completed a placement of 10,600,000 fully paid ordinary shares at \$0.03 per share to raise cash proceeds of \$300,000 (before costs) and settle liabilities of the Company of \$18,000.

On 23 July 2018 the Company completed a placement of 38,924,698 fully paid ordinary shares at \$0.03 per share to raise cash proceeds of \$1,104,741 (before costs) and settle liabilities of the Company of \$63,000.

On 23 July 2018 the Company issued 23,500,000 fully paid ordinary shares to Gulf Energy International Limited upon the exercise of options to raise cash proceeds of \$1,175,000.

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

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

Investments

Kitwe Tailings Project – Zambia

In the June 2018 quarterly, the Company announced that it had executed anew share sale agreement with Zambian entity Australian Mining Company Zambia Limited (**Seller** or **AMCZL**), to conditionally acquire a 60% interest in 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. Completion of the Acquisition is subject to the payment of Milestone Payments (refer June 2018 Quarterly dated 30 September 2018).

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 centered 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.

During the quarter the Company commenced a metallurgical testwork programme on four 25kg tailings samples at the laboratory of Alfred H Knight, which is located in Kitwe. The programme has been designed to test the leaching characteristics of the tailings.

During the quarter the Company engaged drilling contractor Wallis Drilling Pty Ltd and completed an air core drilling of the tailings dump, with 114 holes drilled for a total of 1082m. The samples are being readied for dispatch to a laboratory for assay.

Timis Mining Legal Action

As previously announced, the Company has 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, 19 May 2017 and 7 July 2017).

During the quarter, the Company entered into a damages-based agreement with a UK based legal firm to proceed further with the legal matter.

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.

During the quarter, the Company received a letter from the Sierra Leone Ministry of Mines (**MoM**) informing Marampa Iron Ore (SL) Limited (**Marampa SL**) of the cancellation of the Marampa mining license ML05/2014 due to non payment of fees. In September 2014, Marampa SL submitted to the MoM an application letter entitled “Force Majeure to all Cape Lambert Operations in Sierra Leone” which was acknowledged by the MoM. The Company understood that the agreement with the MoM was that force majeure events were acknowledged and authorised and as such no fees would accrue or be payable until a processing facility was operating and Marampa SL is producing iron ore from Marampa. The Company understands that the notice of cancellation of license letter has incorrectly been issued by the new Sierra Leone government who are not aware of the agreement. In order to protect it’s position, Marampa SL has engaged Sierra Leone based lawyers BMT Law Chambers who has commenced legal action in the High Court of Sierra Leone against the cancellation of the licence.

Dempsey Resources (100% interest)

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

The Project is located 120 km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence (EL22/2012) covering 68km² (refer Figure 2). The licence is located 70km due north of the Marampa Project and the Pepel Infrastructure and comprises rocks that correlate with the Marampa Group stratigraphy known to host specular hematite mineralisation.

The Kukuna Project remains under care and maintenance.

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

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

Kipushi Project

In August 2018, the Company reported that the Engineering Study completed by Minnovo Pty Ltd (Minnovo) was updated to provide for the production of a copper-rich MHP and a cobalt-rich MHP separately (refer ASX announcement dated 20 August 2018). The production of separate products is advantageous as the copper-rich MHP can be sold to copper focused companies whereas, the cobalt-rich MHP can be sold to cobalt focused companies, therefore, greatly expanding the potential buyer base.

During the quarter, Minnovo continued with the detailed design of the 1Mtpa leaching plant and in particular the issuance of specifications for tendering the long lead item equipments. Soludo Lambert issued tenders for thickeners, filter presses, horizontal belt filter, SO₂ scrubber and agitators. Quotations were received and are being reviewed by Minnovo for compliance with the specifications and data sheets.

In addition, fabrication tenders were issued for tankage works (2 packages) and for the workshop/warehouse building. Quotations were received and are currently being assessed.

Soludo Lambert also issued a tender document for the concrete works at the leaching plant to four reputable companies operating in the DRC. Quotations were received and are currently being assessed.

Soludo Lambert also awarded the design of the leach residue storage facility (**LRSF**) to Golder Associates Africa. Golder visited the site to undertake geotechnical investigations at the proposed LRSF location. Design works on the LRSF has commenced.

In September 2018, Soludo Lambert engaged drilling contractor Solutions for Africa to undertake a drilling programme at the Kipushi TSF. At month end 43 holes for a total of 421m had been completed. The programme plans for 166 holes, however many holes are not accessible to the drill rig, therefore, sampling will be undertaken by other means where possible. A batch of samples has been dispatched to the laboratory of ALS in Lubumbashi for assay. The drill programme is expected to be completed mid-October 2018.

The Company is currently investigating funding opportunities including offtake negotiations and debt financing.

Kasombo Project

During the quarter the results of sampling from the trenching programme and other works undertaken at Kasombo 7 were reported by FEL (refer ASX announcement dated 23 August 2018). The following information has also been reported by FEL in their September 2018

quarterly report. Samples taken returned significant cobalt grades from two trenches and strongly anomalous grades in the remainder within the expected stratigraphic sequence particularly when all samples were taken from the heavily leached top few metres of the weathering profile (refer Table 1).

In June 2018, in addition to trenching, the FEL engaged the services of the Department of Geology from the University of Lubumbashi (University), to undertake a ground magnetics and a geochemical survey of the Kasombo area utilizing termite mound sampling. FEL reported that the ground magnetics field work consisted of 12 survey lines of approximately 1.2km each in length, and 400m apart oriented N-S, totalling a cumulative length of 20.2km.

FEL also reported a total of 137 termite mound samples were collected as part of the geochemical survey over the known fragments and their surrounds. The results of the trench mapping and sampling correlated well with the geochemical and magnetic work and have provided good targeting information to possibly extend the known mineralization with future drilling (refer FEL September 2018 quarterly report).

Trench summary assay

Trench_ID	From	To	Thick	Co_ppm	Comment
KSB_TR001	20.4	24.9	4.5	650	
KSB_TR001	53.2	61.2	8.0	590	
KSB_TR002	3.0	9.0	6.0	585	
KSB_TR003					no significant Co assay
KSB_TR004	4.0	6.0	2.0	920	
KSB_TR005	21.0	28.0	7.0	690	
KSB_TR006	42.0	52.0	10.0	2050	
KSB_TR007	16.0	28.0	12.0	2300	

Mining International Pty Ltd (100% Interest)

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

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The tenements are located in the Mary Kathleen Zone/Wonga Subprovince. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits.

Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098, while Firebird Minerals Pty Ltd (**Firebird**) has a Farm-in agreement for mining licence ML 2771.

On 30 August 2018, Cohiba announced that results from its first phase drilling programme at Wee Macgregor had returned encouraging results. Results reported included:

Hole GC5:	8-10m	1.2% Cu
	10-12m	1.38% Cu
Hole WM03:	2-4m	2.15% Cu, 0.063% Co, 1.1ppm Au
	4-6m	1.49% Cu, 0.066% Co, 1.3ppm Au

(refer Cohiba ASX announcement dated 30 August 2018 for further detail)

Figure 2: Cape Lambert West African Iron Ore Interests



Figure 3: Location of the Kipushi Project and Kasombo Project

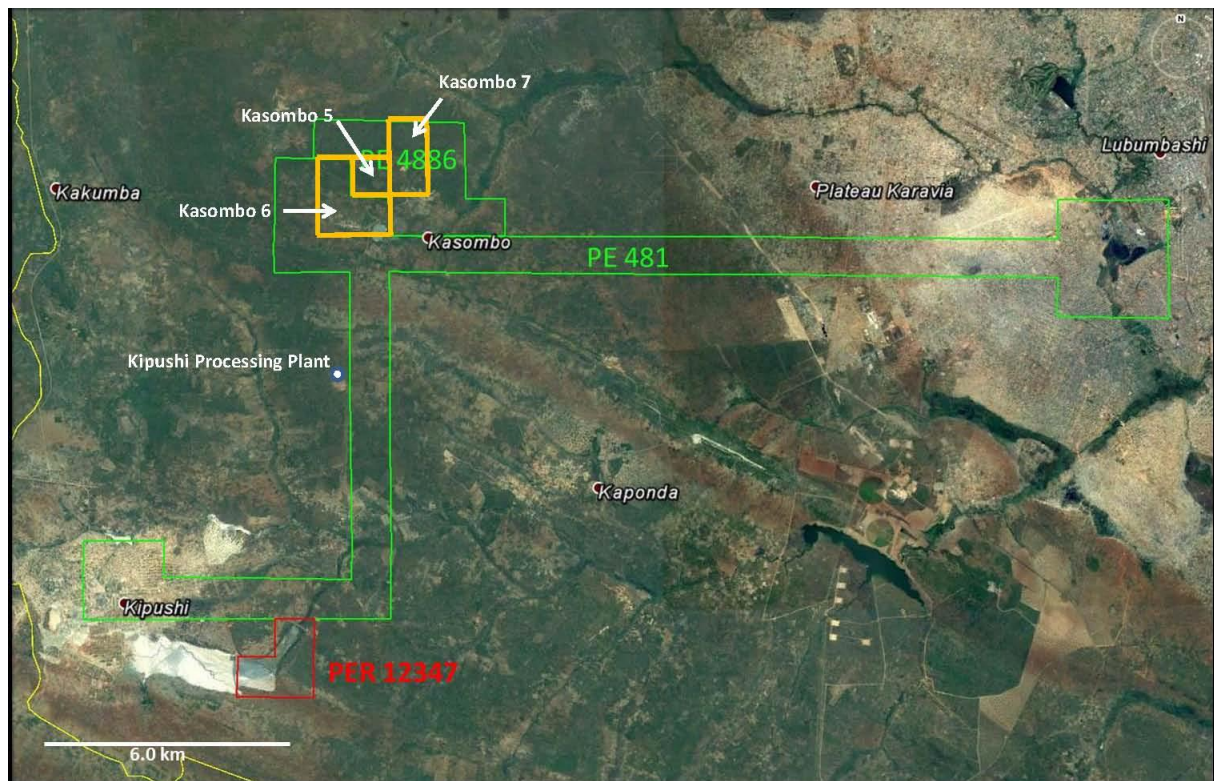
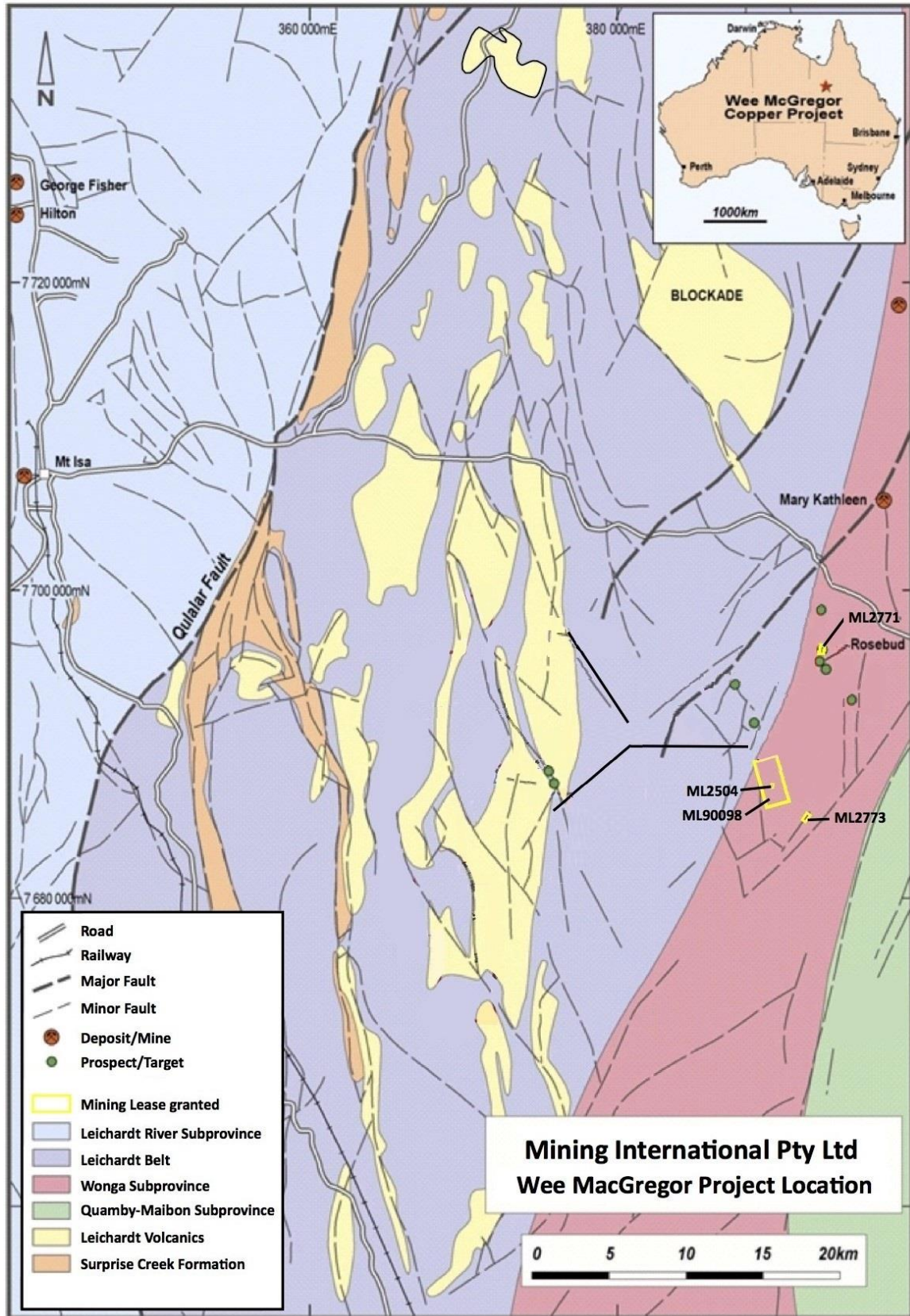


Figure 4: Wee MacGregor Project Location



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% ⁵
Marampa Project – ML 05/2014	Lunsar - Sierra Leone	-	-	100% ⁵
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	-	-	100%
ML 90098 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2504 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2771 ²	Wee MacGregor - Queensland	-	-	100%
ML 2773 ¹	Wee MacGregor - Queensland	-	-	100%
21853-HQ-SEL ³	Zambia	-	-	-
PER 12347 ⁴	Kipushi – DRC	-	-	35%

¹ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details.

² Subject to the Firebird Farm-in agreement, refer to ASX March 2016 Quarterly Report for details.

³ Completion of this transaction is in progress, Refer to ASX announcements for extent of interest.

⁴ Refer to ASX announcements for extent of interest.

⁵ Refer to comments above under Marampa.

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 2018

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	(1,457)	(1,457)
(b) development	-	-
(c) production	-	-
(d) staff costs	(62)	(62)
(e) administration and corporate costs	(660)	(660)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(520)	(520)
1.7 Research and development refunds	-	-
1.8 Other (legal fees recovery of asset)	-	-
1.8 Other (receipt of royalty)	-	-
1.9 Net cash from / (used in) operating activities	(2,698)	(2,698)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(17)	(17)
(b) tenements (see item 10)	-	-
(c) investments	(4)	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	(68)	(68)
2.6	Net cash from / (used in) investing activities	(89)	(89)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,435	1,435
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	1,175	1,175
3.4	Transaction costs related to issues of shares, convertible notes or options	(13)	(13)
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	2,597	2,597

4.	Net increase / (decrease) in cash and cash equivalents for the period	(190)	(190)
4.1	Cash and cash equivalents at beginning of period	1,016	1,016
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,698)	(2,698)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(89)	(89)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,597	2,597
4.5	Effect of movement in exchange rates on cash held	15	15
4.6	Cash and cash equivalents at end of period	841	841

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	841	1,016 ¹
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)	841	1,016

¹ The opening balance has been adjusted per the audited annual report as at 30 June 2018. The Company no longer consolidated FE Limited, refer to the 2018 annual report for additional details.

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
216
-

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	186
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, reimbursement of travel costs, corporate hospitality costs and other corporate costs.

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

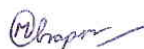
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(891)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(63)
9.5 Administration and corporate costs	(822)
9.6 Other (sale of asset)	-
9.7 Total estimated cash outflows	(1,776)

* This is an estimate of the total cash outflows of the Company for the next quarter and does not take into account proceeds from any proposed placements or debt financing.

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: 31 October 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.