

17 December 2018

The Manager
Market Announcement Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

NOTICE UNDER SECTIONS 708A(5)(E) AND 708A(12C)(E) (AS NOTIONALLY INSERTED BY ASIC INSTRUMENT) OF THE CORPORATIONS ACT 2001 (CTH)

1 Background

This notice is given by Cape Lambert Resources Limited (**Company**) under 708A(12C)(e) of the Act (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82) (**ASIC Instrument**) in relation to Shares to be issued on the conversion of the Convertible Notes (as defined below).

The effect of ASIC Instrument is, subject to conditions and giving a notice to ASX in the terms of this notice, to allow quoted securities issued upon conversion of a convertible note to be offered for sale without further disclosure.

2 Effect of the issue of the Convertible Note on the Company

The Convertible Notes were issued under a convertible security agreement (**Agreement**) with the Investor announced to ASX on 17 December 2018 under which the Investor will subscribe for secured convertible securities issued by the Company with a total face value of up to A\$7,500,000 (**Convertible Notes**) over the 12 month term of the facility.

Funds raised under the Agreement will be used to fund development at the Company's Kipushi Cobalt-Copper tailings project in the DRC whilst retaining the flexibility with negotiations for either an offtake for a strategic partner which may result in alternative funding, such as a cash injection into the project.

The material terms of the Convertible Notes are as follows:

Face Value	US\$1.10 per Convertible Note
Interest	none
Commitment fee	4% of amounts subscribed for under the Agreement, satisfied through, at the Company's election, deduction from the subscription amount or the issue of Shares at the 5 day VWAP of Shares at the time of issue.
Termination fee	On specified subscription dates (within 5 business days of signing, the Investor being satisfied that it can trade the Company's Shares on the Frankfurt exchange, 120 days from signing, 240 days from signing and 360 days from signing), the

		Company will pay a termination fee of 2% of the difference between the maximum amount that can be subscribed and the actual amount subscribed.
Conditions subscription	to	The first tranche of A\$750,000 is unconditional. Remaining conditions are as set out in the Company's announcement dated 17 December 2018.
Use of funds		Fund development at the Company's Kipushi Cobalt-Copper tailings project in the DRC and for general corporate and working capital purposes.
Term		12 months from issue, at which time the Convertible Notes must be redeemed.
Conversion		At the Investor's discretion at any time during the term. Shares issued on conversion of the Convertible Notes will rank equally with the Company's existing Shares
Conversion price		The lesser of: (a) 85% of the lowest daily VWAP during the 10 Trading Days prior to giving a conversion notice; and (b) \$0.045 (subject to adjustment), subject to a floor conversion price of \$0.012 per Share.
Redemption Company	by	Once drawn down, the Company has the option to repay the Convertible Notes at 110% premium to Face Value if within 180 days of investment and then 115% thereafter.
Anti-dilution adjustments		The conversion price and floor price will be adjusted upon a consolidation, subdivision or pro-rata cancellation of the Company's issued capital.
Standstill		The Investor may not dispose of Shares issued upon conversion for 90 days from execution of the Agreement.
Security		Secured over the Company's assets other than shares held by the Company in Cauldron Energy Limited, FE Limited and European Lithium Limited.
Negative covenants		In addition to events customarily found in a document of this type, the Company may only dispose of an asset in the ordinary course and where the Company pays the Investor at least 33% of the net proceeds of the sale or disposal to the Investor in reduction of the secured money.
Events of default and consequences		In addition to events customarily found in a document of this type, the Convertible Note contains the following events of default: (a) The Company's Shares are suspended from quotation for a period of more than 14 days.

(b) A material adverse event (as defined in the Convertible Note) occurs.

An event of default confers rights upon the Investor which are customarily found in a document of this type, including that the Investor may demand repayment of those amounts.

49,019,607 Shares will be issued under the Convertible Notes, assuming a conversion price of \$0.0153 per Share, and existing shareholders will be diluted by 4.62%, assuming no other changes to the Company's share capital.

The Company will rely upon its 15% capacity under Listing Rule 7.1 to issue the Convertible Notes under the Agreement, with Shareholder approval to be sought at the Company's forthcoming annual general meeting to both ratify issues made under the Agreement and, the maximum extent permissible under the Listing Rules, to issue further securities under the Agreement.

3 Rights and liabilities attaching to new Shares

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Company's constitution (**Constitution**), a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Act, the ASX Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of holders of Shares. To obtain such a statement, persons should seek independent legal advice.

(a) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. Voting may be in person or by proxy, attorney or representative.

(b) Dividends

Subject to the rights of holders of shares issued with any special rights (at present there are none), the profits of the Company which the Company's board may from time to time determine to distribute by way of dividend are divisible to each share of a class on which the Company's board resolves to pay a dividend in proportion to the amount for the time being paid on a share bears to the total issue price of the share. All Shares currently on issue and the shares to be issued under this Prospectus are fully paid Shares.

(c) Future issues of securities

Subject to the Corporations Act and the Listing Rules, the Directors may issue, grant options over, or otherwise dispose of unissued shares in the Company

at the times and on the terms that the Directors think proper and a share may be issued with preferential or special rights.

(d) Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX for the purpose of facilitating transfers in Shares or by an instrument in writing in a form approved by ASX or the Company's board.

(e) Meetings and notices

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

(f) Liquidation rights

The Company has one class of shares on issue, ordinary shares. Each ordinary Share ranks equally in the event of liquidation.

(g) Variation of rights

Subject to the Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate meeting of the holders of the Shares in accordance with the Corporations Act

(h) Election of directors

There must be a minimum of 3 Directors. At every annual general meeting one third of the Directors (rounded to the nearest whole number) must retire from office. Any Director who would have held office for more than 3 years if that Director remains in office until the next general meeting must retire. These retirement rules do not apply to certain appointments including the managing director.

(i) Indemnities

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any legal costs incurred in defending an action in respect of such liability.

(j) Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the shareholders of the Company.

(k) Shareholder liability

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(l) Alteration to the Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of shareholders present and voting at the general meeting. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(m) Listing Rules

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

4 Continuous disclosure obligations

The Company is a 'disclosing entity' for the purposes of section 111AC of the Act and, as such, is subject to regular reporting and disclosure obligations. Specifically and except for certain confidential information excluded from disclosure due to a specific exception set out in the ASX Listing Rules, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

The Company is also required to prepare and lodge with ASX (as agent for ASIC by reason of ASIC Corporations (Electronic Lodgment of Financial Reports) Instrument 2016/181) yearly and half yearly financial statements accompanied by a directors' statement and report and an audit report or review. Copies of documents lodged with ASX in relation to the Company are available ASX's website or the Company's website.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial statements of the Company for the financial year ended 30 June 2018, being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this notice; and
- (b) any continuous disclosure notices given by the Company after the lodgment of the financial statements referred to in paragraph (a) and before the issue of this notice.

Copies of all documents lodged with the ASX in relation to the Company can be obtained free of charge from the Company's registered office during normal office hours. These documents are also available from the Company's website.

The Company has lodged the following announcements with ASX since the Company's 2018 audited financial statements, copies of which are available from ASX's website, www.asx.com.au.

Date	Description of Announcement
17/12/2018	CFE secures A\$7.5m funding to fast-track Kipushi development
13/12/2018	Appendix 3B
30/11/2018	Response to ASX Appendix 5B Query
30/11/2018	Market Update - Kipushi Project
29/11/2018	Results of Annual General Meeting
31/10/2018	Quarterly Activities Report and Appendix 5B
26/10/2018	Notice of Annual General Meeting
22/10/2018	Appendix 3Y - Stefan Muller
04/10/2018	Drilling Update at Kipushi and Kitwe Projects
28/09/2018	Appendix 4G

5 Information excluded from continuous disclosure notices

As at the date of this notice the Company:

- (a) is not aware of any information that:
 - (i) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
- (b) has complied with:
 - (i) the provisions of Chapter 2M of the Corporations Act as they apply to the Company; and
 - (ii) section 674 of the Corporations Act.

Melissa Chapman
Company Secretary