

31 January 2019

QUARTERLY REPORT – 31 December 2018

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 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
1,013,401,581

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)
15,000,000 (\$0.03 exp 30 Jun 2021)
5,000,000 (\$0.05 exp 13 Dec 2020)
10,000,000 (\$0.075 exp 30 Jun 2019)

Convertible Notes
548,310 convertible notes

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

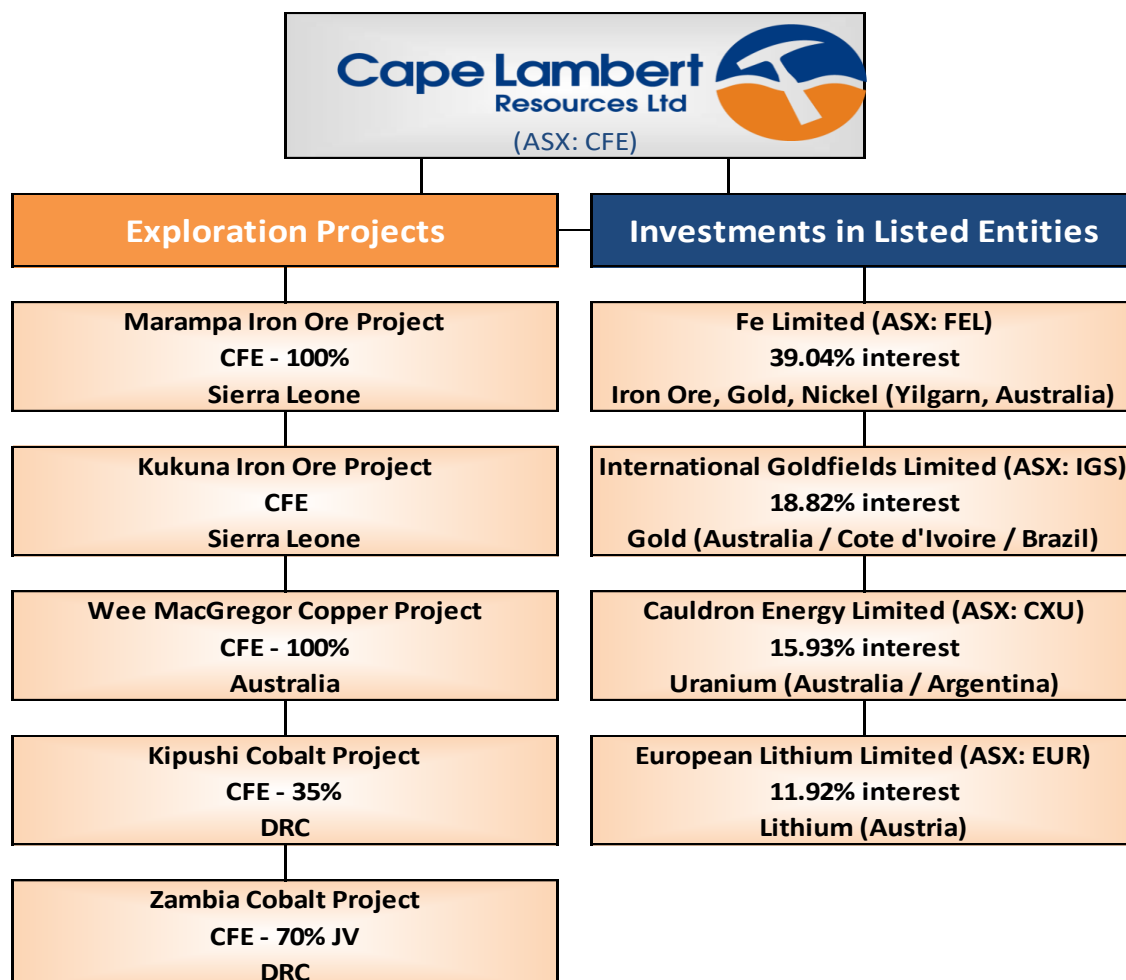
Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert** or the **Company**) is an Australian domiciled mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc 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 December 2018



Cash Balance

As at 31 December 2018, the Company had approximately A\$905k.

Financing Facility

On 17 December 2018, the Company announced that it has secured a A\$7.5m finance facility with MEF I, L.P. (**Magna** or **Investor**) to fast-track the development of the Kipushi Cobalt-Copper tailings project in the DRC.

The A\$7.5m facility allows the Company to ensure the development is funded whilst retaining the flexibility with our negotiations for either an offtake for a strategic partner which may result in alternative funding, such as a cash injection into the project.

An initial amount of A\$750k was drawn down on 19 December 2018 and a further \$0.75m will be available for drawdown pending the Investors ability to trade the Company's shares on the Frankfurt exchange with a further A\$6m available in tranches upon the Company meeting key milestones relating to the Company's Kipushi Cobalt-Copper Tailings Project.

On 21 December 2018, the Company announced the issue of 1,666,667 fully paid ordinary shares to Magna which represented Tranche 1 commitments shares. Full terms and conditions of the convertible securities are included in the announcement released on 17 December 2018.

AGM

On 29 November 2018, the Company held it's annual general meeting (**AGM**) with all resolutions passing on a show of hands.

The Company issued the following securities on 13 December 2018 as approved at the AGM:

- 15,000,000 unlisted options exercisable at \$0.03 each on or before 30 June 2021 (resolution 5)
- 5,000,000 unlisted options exercisable at \$0.05 each on or before 13 December 2020 (resolution 6)
- 10,000,000 unlisted options exercisable at \$0.075 each on or before 30 June 2019 (resolution 17)

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 Kitwe drilling program was completed and assays were received. The information is currently undergoing review and interpretation.

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). The Company has entered into a damages-based agreement with a UK based legal firm to proceed further with the legal matter. There were no developments during the quarter.

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.

There is nothing to report for the quarter.

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**).

On 6 November 2017, the Company completed the assignment of its interests in the Kasombo Project to Fe Limited (full details of the assignment are described in the Notice of Annual General Meeting, refer ASX announcement dated 14 October 2017).

Kipushi Project

During the quarter, the Kipushi drilling program was completed and all assays were received, with the information currently undergoing review and interpretation. Initial results appear to reflect what was expected with regard to material grades within the tailings.

In December 2018, the Company announced that it had appointed Kobu Capital (**Kobu**) to assist in sourcing an Engineering, Procurement, Construction and Financing (**EPCF**) provider to develop the Kipushi Project. Kobu is a venture investment platform for, amongst other things, innovative industrial technology products and believes it can offer a more economical development and financing process for the Project through partnering with its strategic Chinese partners. The purpose of an EPCF provider is for self-funding of the design and building of the process plant, with the repayment of the financing coming from future revenues of the Project, that can potentially deliver a lower overall cost for the development. The Company is exploring this as an alternative to securing the financing for building of the Project.

Engineering works at Minnovo Pty Ltd were placed on hold during the 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) 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 10 December 2018, Cohiba announced more results from its first phase drilling programme at Wee Macgregor had returned encouraging results. Results reported included:

Hole WM03c: 0-1m	1,76% Cu
2-4m	7.03% Cu, 0.1% Co, 1.34ppm Au
8-10m	1.2% Cu, 0.05% Co
Hole WM04: 0-10m	2.84% Cu, 0.5ppm Au, 0.063% Co

(refer Cohiba ASX announcement dated 10 December 2018 for further detail).

Figure 2: Cape Lambert West African Iron Ore Interests

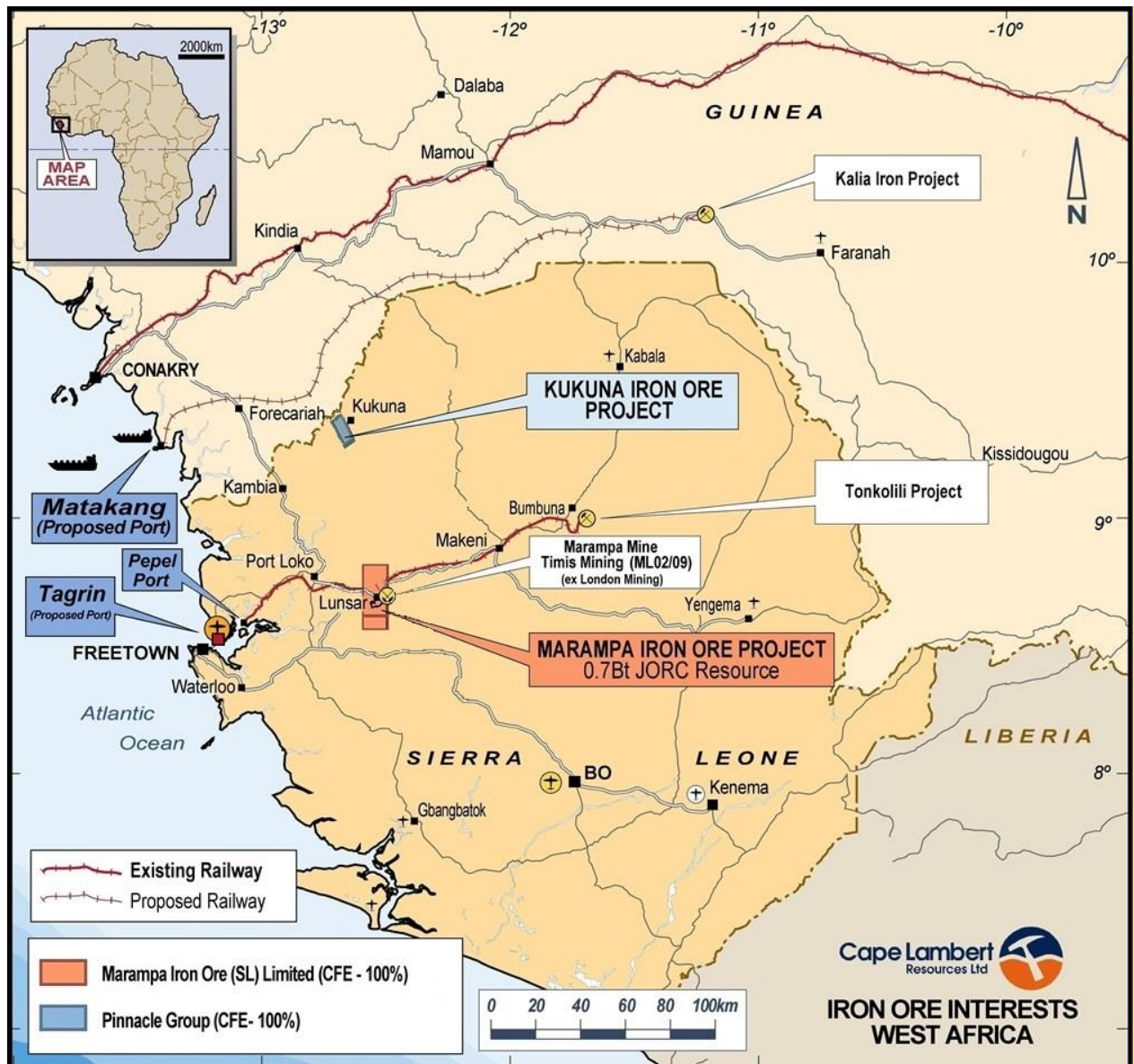


Figure 3: Location of the Kipushi Project and Kasombo Project

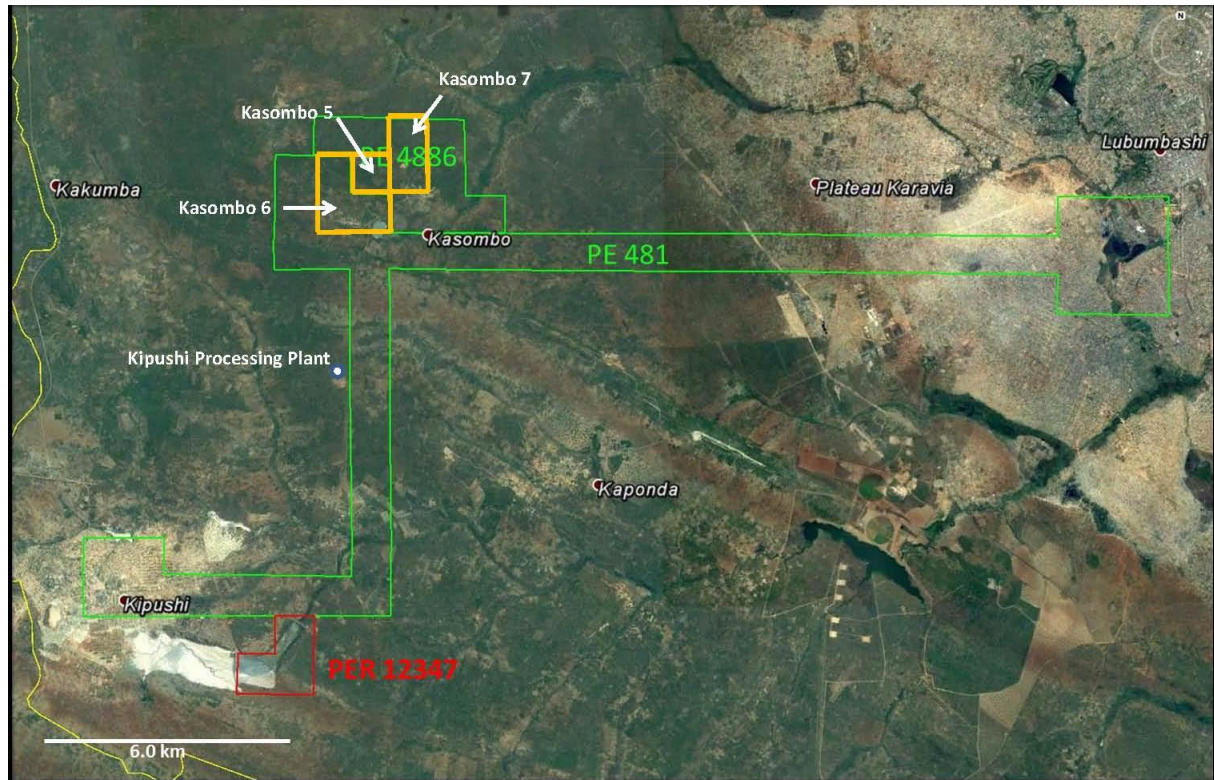
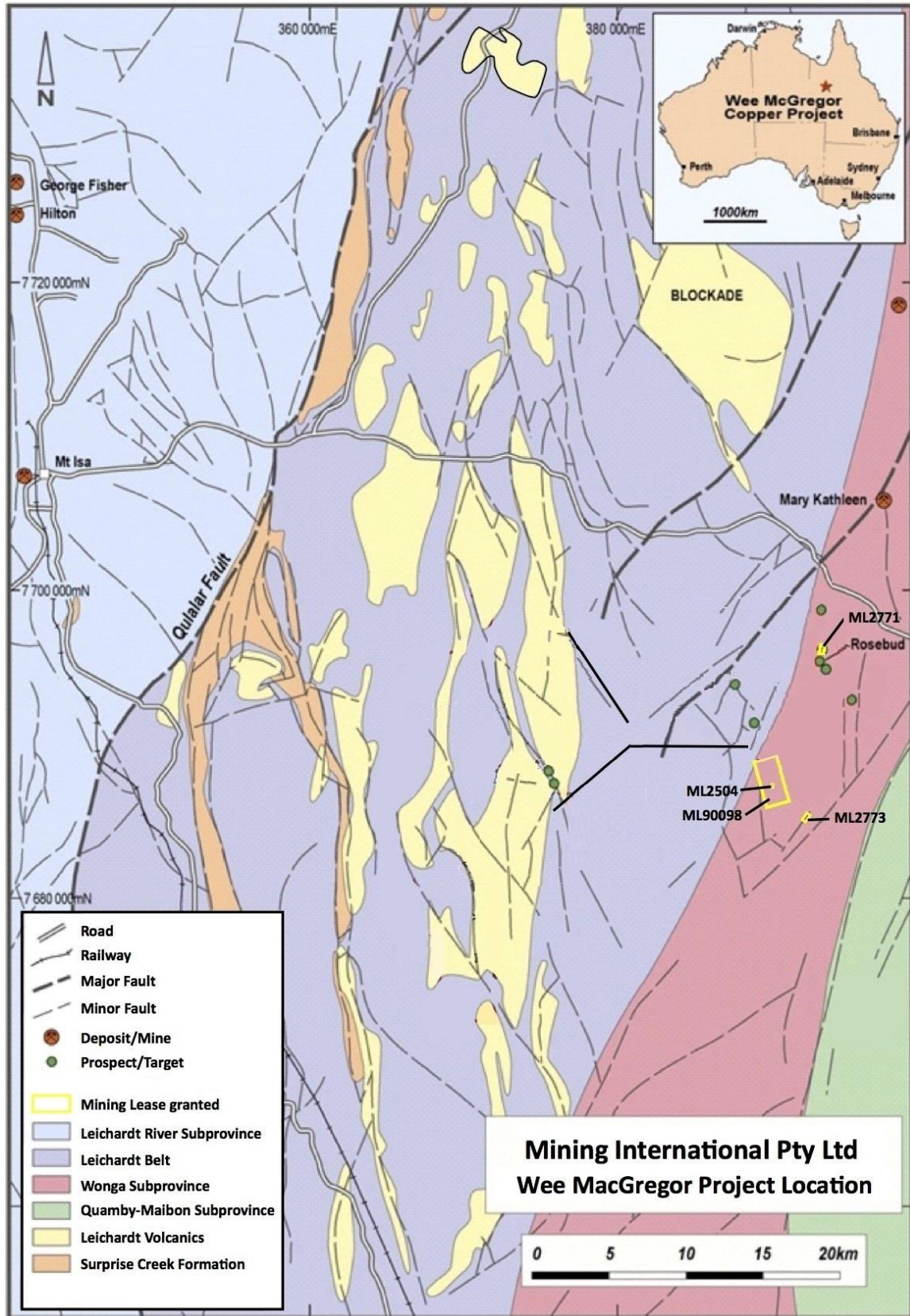


Figure 4: Wee MacGregor Project Location



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% ⁴
Marampa Project – ML 05/2014	Lunsar - Sierra Leone	-	-	100% ⁴
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	Zambia	-	-	-
PER 12347 ³	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 Refer to ASX announcements for extent of interest.

⁴ During the September 2018 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.

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")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(563)	(2,020)
(b) development	-	-
(c) production	-	-
(d) staff costs	(62)	(124)
(e) administration and corporate costs	(485)	(1,145)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(260)	(780)
1.7 Research and development refunds	-	-
1.8 Other (transfer cash restricted to non-restricted)	32	32
1.9 Net cash from / (used in) operating activities	(1,338)	(4,036)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(17)
(b) tenements (see item 10)	-	-
(c) investments	-	(4)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)
2.6	Net cash from / (used in) investing activities	-	(89)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	1,435
3.2	Proceeds from issue of convertible notes	750	750
3.3	Proceeds from exercise of share options	-	1,175
3.4	Transaction costs related to issues of shares, convertible notes or options	(25)	(38)
3.5	Proceeds from borrowings	650	650
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	1,375	3,972

4.	Net increase / (decrease) in cash and cash equivalents for the period	37	(153)
4.1	Cash and cash equivalents at beginning of period	841	1,016
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,338)	(4,036)

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(89)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,375	3,972
4.5	Effect of movement in exchange rates on cash held	27	42
4.6	Cash and cash equivalents at end of period	905	905

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	905	841
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)	905	841

6. Payments to directors of the entity and their associates

	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	216
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	

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	185
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	7,500	750
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.		

The Company has established a convertible note facility with MEF I, L.P. Full terms and conditions of this facility are included in the ASX announcement dated 17 December 2018.

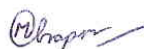
9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,297)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(63)
9.5 Administration and corporate costs	(1,234)
9.6 Other (ATO payment)	(260)
9.7 Total estimated cash outflows	(2,854)*

* 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 January 2019

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.