

29 January 2016

QUARTERLY REPORT – 31 December 2015

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 December 2015.

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
626,686,586

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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Investor Relations

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HIGHLIGHTS

- As at 31 Dec 2015, the Company had approximately A\$4.69 million in cash at bank.
- Further cost reduction completed in Sierra Leone.
- Cape Lambert signs Farm-In JV Agreement with Argosy on Wee McGregor Project.
- Update on African Minerals Limited sale of shares in the Company.
- Annual General Meeting held.
- Retirement of Mr Ross Levin as Non-Executive Director.
- Post quarter end, Cape Lambert announced \$4m fully underwritten placement

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.

Corporate Structure

Board Restructure

On 26 November 2015, the Company announced the retirement of Mr Ross Levin as Non-Executive Director of the Company with immediate effect.

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**). There has been no change in the quarter and AML continues to be a substantial shareholder of the Company with a holding of 105,808,628 shares.

Investments

Timis Mining Corporation Royalty

The Company wishes to update Shareholders regarding the royalty agreement with Timis Mining Corporation SL Limited and Timis Mining Corporation Limited (collectively **Timis Mining**).

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.

The Mine remains on care and maintenance due to the currently low iron ore price. The payment from Timis Mining to Cape Lambert of US\$2,566,420 for the March 2015 quarter royalty also remains unpaid.

Timis Mining Corporation Bridging Finance

The Company would like to provide an update to Shareholder regarding the bridging finance with Timis Mining (refer ASX Announcement 22 October 2014).

Bridging finance of US\$8 million is 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.

Repayment of the bridging finance is yet to be received by the Company. Cape Lambert is in communication with Timis Mining to understand when it is anticipated that the Mine will re-commence production and be in a position to repay the bridging finance.

Fully Underwritten Placement

Subsequent to the quarter end, the Company announced that it had entered into an underwriting agreement with Gulf Energy International Limited (**Gulf**) for the placement of approximately 94 million shares at 4.25c per share to raise \$4m (before expenses) (refer ASX Announcement 11 and 12 January 2016) (**Underwriting Agreement**).

The placement will be with sophisticated investors in the United Kingdom or Europe and has a proposed closing date of 11 February 2016, being 30 days from execution of the Underwriting Agreement, and a settlement date of 26 February 2016. In accordance with the Underwriting Agreement, and subject to shareholder approval, Gulf will be issued one option for every four shares subscribed to under the placement to be issued with an exercise price of 5c exercisable on or before 31 December 2018.

The Underwriting Agreement contains a number of indemnities, representations and warranties that are considered standard for an agreement of this type. It also contains termination provisions whereby Gulf has the right to terminate the Underwriting Agreement if the S&P 200 falls more than 10% at any time from execution of the Underwriting Agreement up to the date of closing as well as a number of other termination events common to agreements of this type.

Cauldron Energy Limited

The Company owns a 15.84% interest in Cauldron Energy Limited (**ASX: CXU**) (**Cauldron**). During the quarter, Cauldron announced that current drilling has significantly extended the strike length of mineralization as well as announcing a mineral resource upgrade at its Bennett Well project.

FE Limited

Cape Lambert owns a 57.74% interest in FE Limited (**ASX: FEL**) (**FEL**). On 30 September 2015, FEL announced that it had signed a binding conditional terms sheet to acquire 100% of Cardinal House Group Pty Ltd who is a provider of online social gaming products and real money gambling platforms. The transaction is progressing and expected to complete in March 2016.

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.

No exploration activities occurred during the quarter. The Company completed further cost reduction measures at Marampa during 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 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. 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 prospective for discovery of hematite schist deposits geologically similar to those at Marampa and is located proximal to the existing Pepel infrastructure (refer

Figure 2). Regional mapping and geophysics has identified a number of prospective areas to be followed up with future targeted exploration.

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 (refer Figure 3).

The tenements all contain, or are adjacent to, Birimian Greenstones and metasediments and have significant structural characteristics known to host high tenor gold mineralisation in the district. The Birimian Group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian (Type 2 metasediments), and various basaltic to andesitic lavas and volcanoclastics of the Upper Birimian (Type 1 Greenstone metavolcanics). Spatial distribution of gold mineralisation appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15km to 40km in width, associated with the Upper Birimian.

The Birimian Gold Belt is host to numerous multi-million ounce gold deposits including the Morila (7 Moz), Syama (7 Moz) and Tongon (4 Moz) deposits. Almost without exception, these major gold deposits are located at or close to the margins of the metavolcanic belts, adjacent to the strongly deformed contacts between the Upper and Lower Birimian sequences as seen to exist within the Company's granted tenements.

All three tenements are highly prospective and have the potential to host multi-million ounce gold deposits (refer to ASX announcement of 30 April 2013). The Company lodged the licence renewal documents for all three tenements during the quarter.

Discussions continued with a major international explorer regarding the potential purchase of the three tenements.

Mining International Pty Ltd (100% Interest)

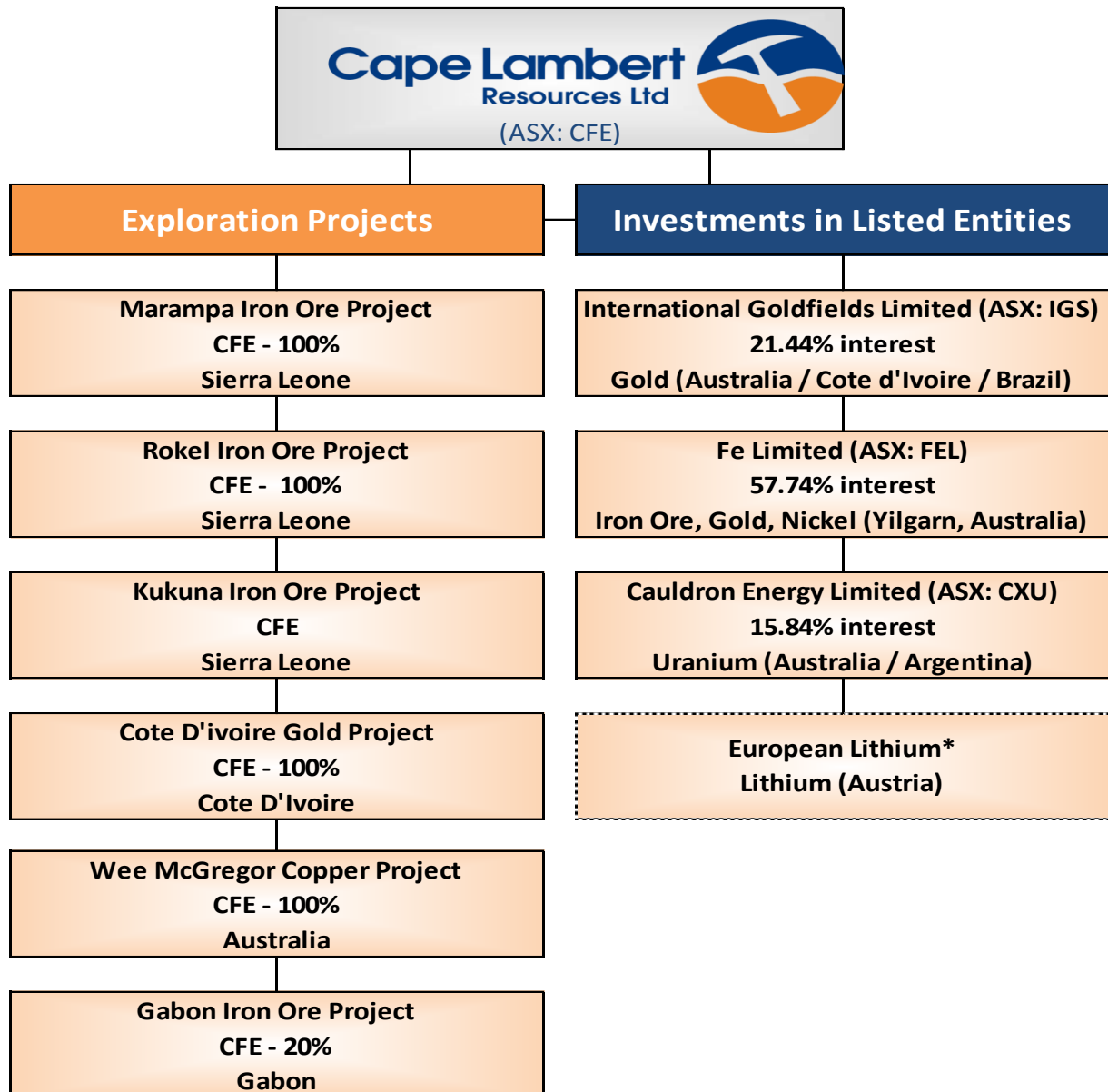
Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases (which were excluded from the sale of the Leichhardt Copper Project) and 3 granted exploration permits for minerals (EPM's) (which were acquired from Caeneus Minerals Limited in 2014) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 5). One EPM application that was pending grant was granted during the quarter.

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier (Figure 7). 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.

Cape Lambert announced during the quarter that it had executed a Farm-in Joint Venture Agreement with Argosy Minerals Limited (**Argosy**)(ASX: AGY) for its tenements ML 2504, ML 2773 and ML 90098. Argosy subsequently announced a maiden JORC inferred resource of 1.65Mt @ 1.6% Cu during the quarter (refer Argosy ASX announcement dated 9 December 2015).

Figure 1: Group Structure December 2015



*Currently undergoing capital raising

Figure 2: Cape Lambert West African Iron Ore Interests

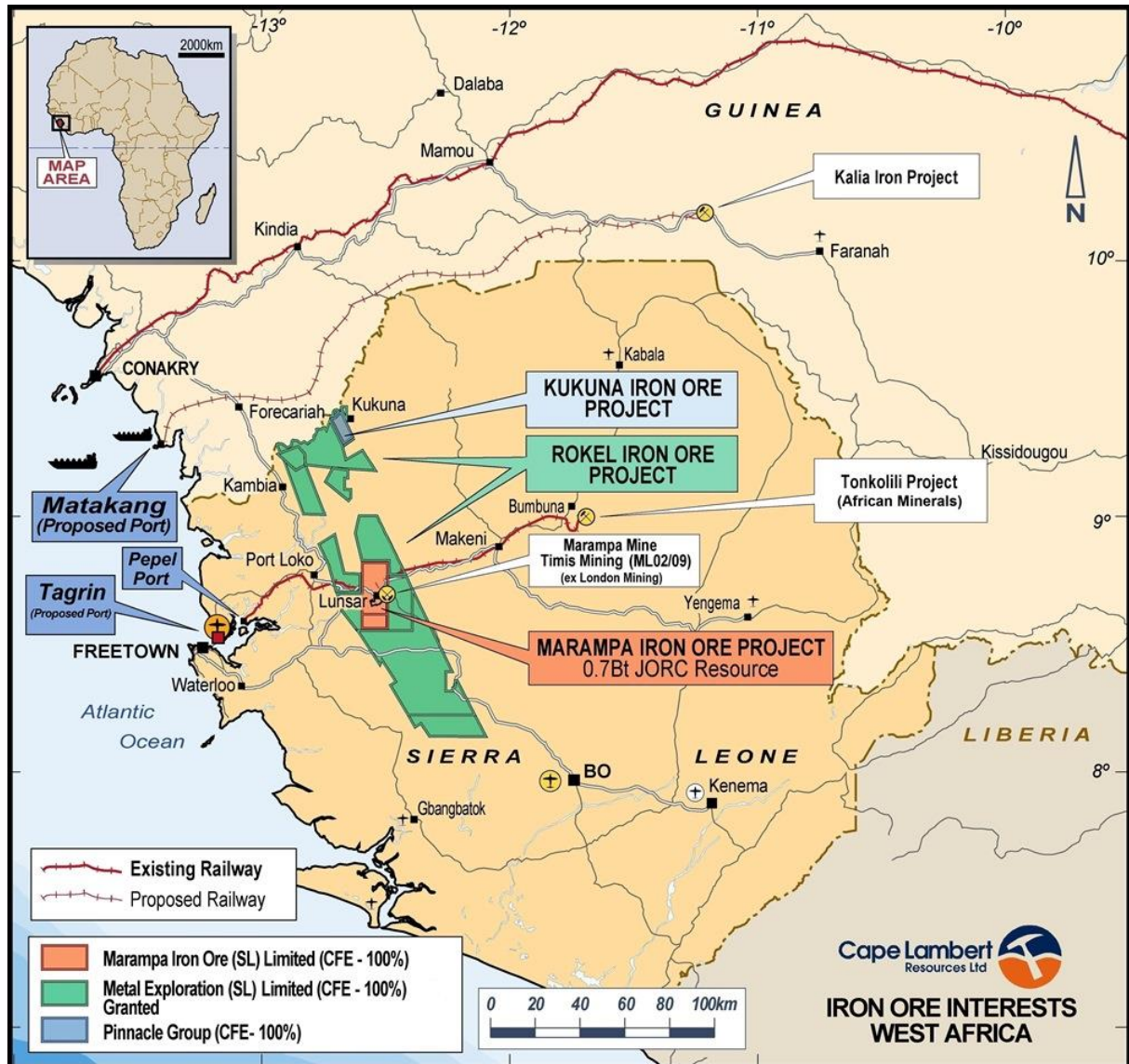


Figure 3: Cote D'Ivoire Tenements

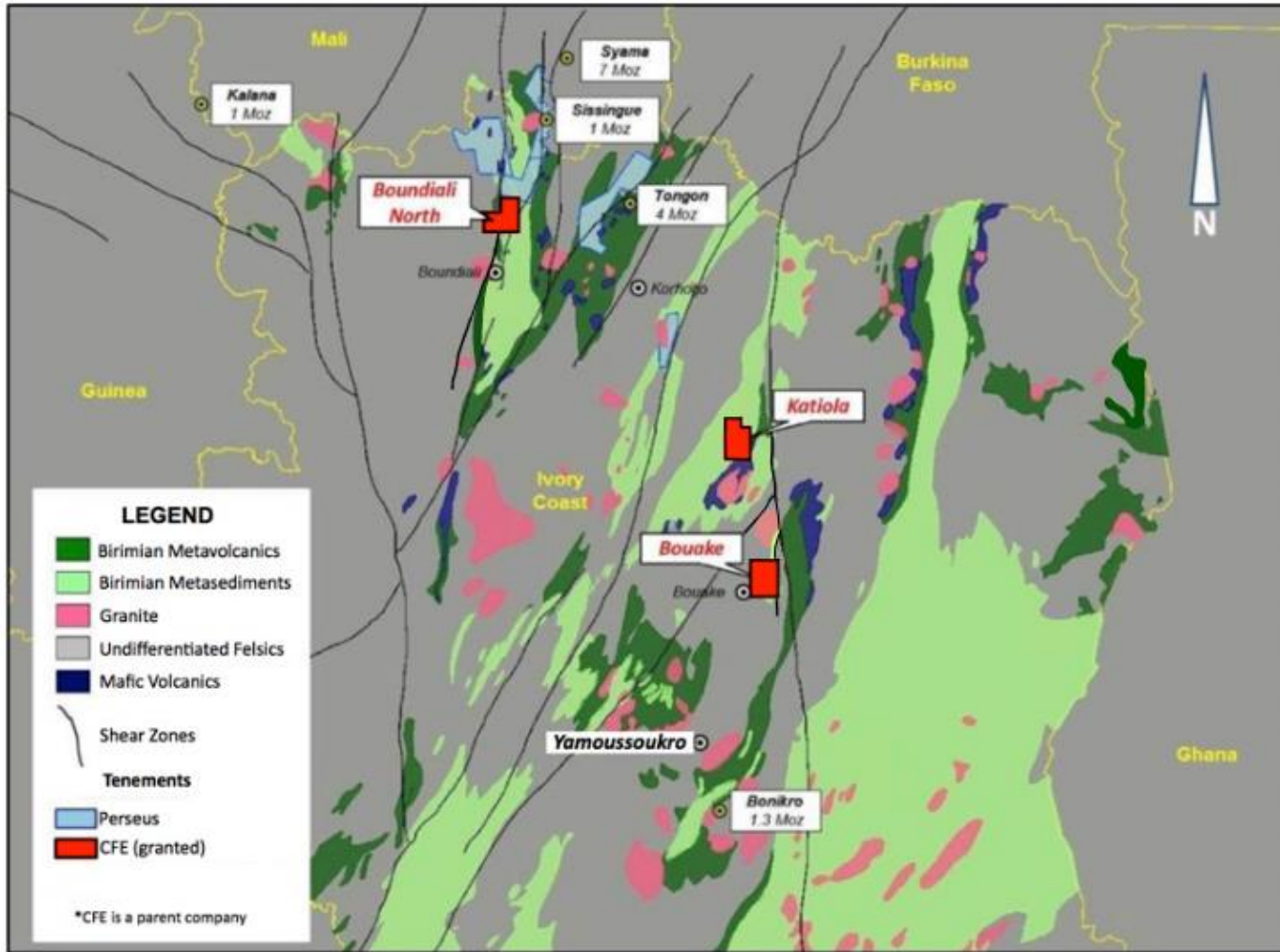


Figure 4: Rokel Projects Location Map

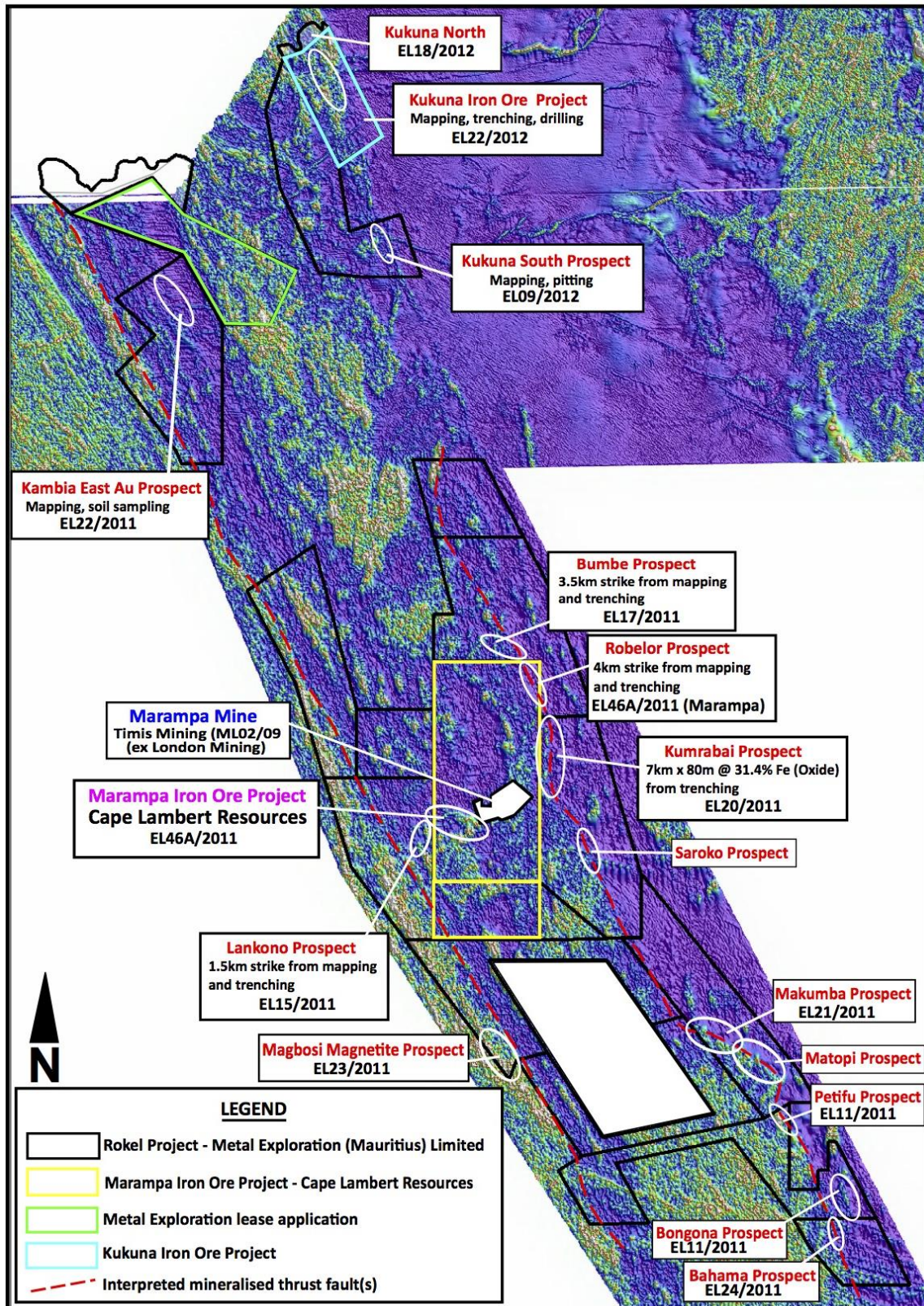
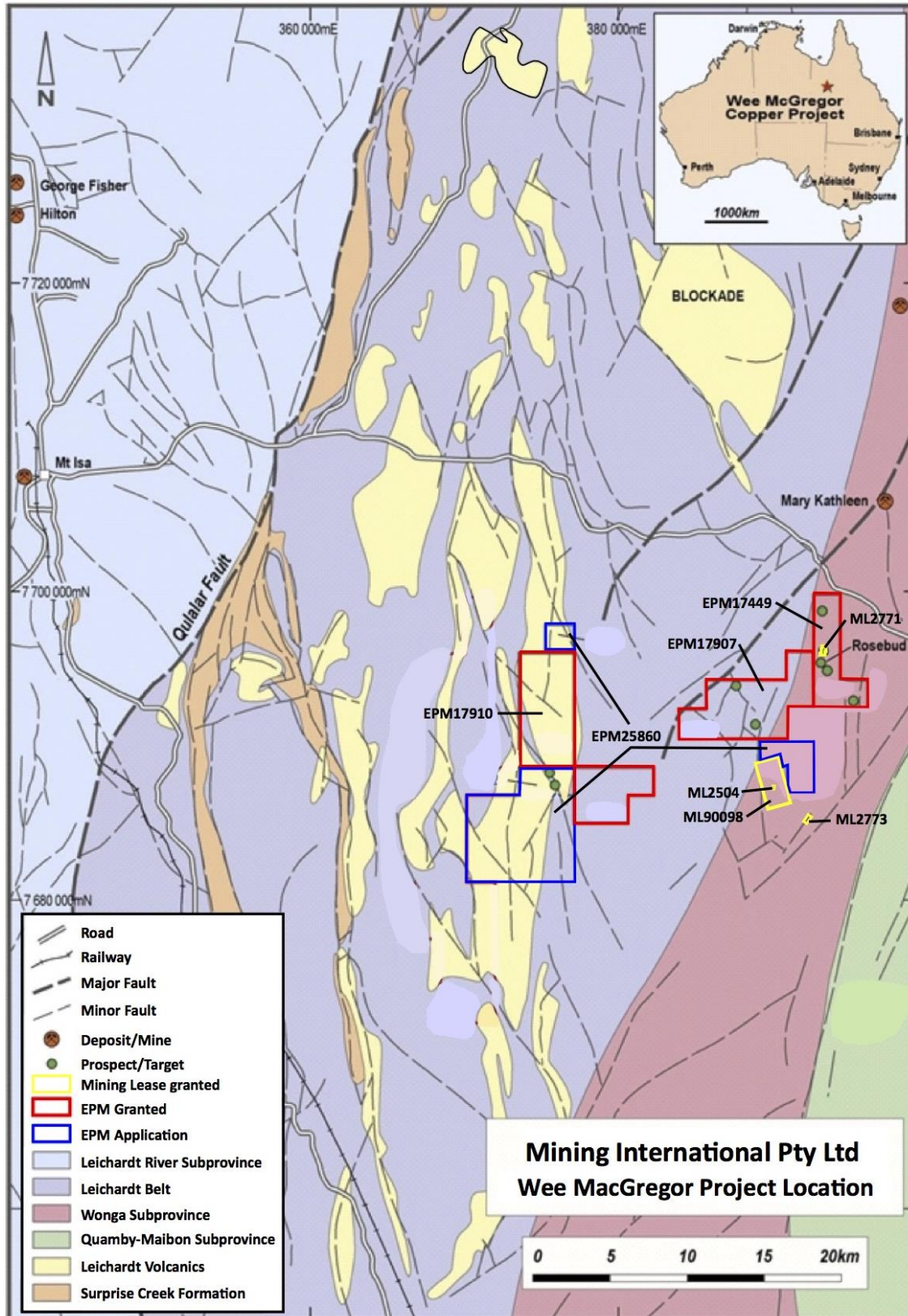


Figure 5: Wee MacGregor Project Location



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%
Rokel Project - EL 08/2012	Yaya - Sierra Leone	-	-	100%
Rokel Project - EL 09/2012	Kukuna South - 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%
Sandenia Project - No. A2013/110/DIGM/CPDM	Sandenia - Guinea	-	100%	0%
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%	-	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%

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration & evaluation ² (b) development (c) production (d) administration ¹	(1,264) - - (1,308)	(2,833) - - (2,560)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	52
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	91	245
Net Operating Cash Flows	(2,461)	(5,096)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	- - 78	- (30) -
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets (d) controlled entity	- - - -	- 201 - -
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	40	40
1.12 Other: Repayment of convertible notes Other: Payment of transaction related and business development costs	- -	157 (68)
Net investing cash flows	118	300
1.13 Total operating and investing cash flows	(2,343)	(4,796)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other: FEL Converting Loan Note ²	29	43 ¹
	Net financing cash flows	29	43¹
	Net increase (decrease) in cash held	(2,314)	(4,365)
1.20	Cash at beginning of quarter/year to date	7,026	9,034
1.21	Exchange rate adjustments to item 1.20	(22)	21
1.22	Cash at end of quarter	4,690	4,690

¹ Includes FE Ltd cash movements given CFE owns 57.74% of FE Ltd

² Year to date includes proceeds from FE Ltd converting loan note (\$431k before expenses), the current quarter includes a reclassification of broker fees associated with the loan note and the year to date figures have been corrected as this was incorrectly reported against exploration & evaluation in September

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	210
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

\$210,000 (excluding GST) payment of executive and non-executive director fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,100
4.2 Development	-
4.3 Production	-
4.4 Administration	1,000
Total	2,100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	4,690	7,026
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	4,690	7,026

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter	
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	2013/110/digm/cpdm	Expired	100%	0%
6.2	Interests in mining tenements and petroleum tenements acquired or increased	EPM25860	Granted	0%	100%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities	-	-	
7.2	<i>(description)</i> Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	+Ordinary securities	626,686,586	626,686,586	
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	- -	- -	
7.5	+Convertible debt securities	-	-	
	<i>(description)</i>			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7	Options <i>(description and conversion factor)</i>	7,675,000	7,675,000	Exercise price \$0.088	Expiry date 18 Dec 2016
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
7.10	Expired/Canceled during quarter	1,250,000	1,250,000	\$0.088	18 Dec 2016
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:
(Company secretary)

Date: 29 January 2016

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.