

Binding Joint Venture Agreement for Cobalt Mining and Tailings Processing Operations

Highlights

- **Agreement to form 50/50 JV to develop cobalt and copper projects in the DRC including near production asset and 3 further projects**
- **JV to focus initially on the Kipushi Cobalt Tailings Project and the Kasombo Copper-Cobalt Project, with several other high grade cobalt projects under review by management**
- **JV to operate the fully constructed and commissioned Kipushi Processing Plant to process the Kipushi tailings and treat additional hard rock cobalt and copper material**
- **Kipushi Processing Plant commissioned in 2016, comprises a +1Mtpa flotation plant designed to produce 4,000tpa of cobalt, 10,000tpa copper and 2,000tpa of zinc in concentrate from the Kipushi Tailings**
- **Mining fleet including trucks and heavy equipment already on site**
- **Detailed mine planning and optimisation work underway on the Kipushi Cobalt Tailings Project, with the JV aiming to commence mining activities/tailings retreatment within 6 months**
- **Offtake discussions for the sale of cobalt, copper and zinc concentrates already underway**
- **Projects located in the world's major cobalt mining region, with excellent regional infrastructure and some of the highest-grade cobalt mines in the world that account for ~50% of the world's cobalt reserves and ~60% of global cobalt supply**
- **Cobalt prices currently exceed US\$41,000/t and major mining companies are aggressively acquiring cobalt projects in the DRC**
- **Established in-country management team already supported by the Company's significant African operating experience in South Africa, Republic of Congo, Sierra Leone, Cote d'Ivoire and Guinea.**

Australian resource and investment company, Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert or the Company**) is pleased to announce that it has 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**).

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
720,686,586

Unlisted Options
23,500,000 (\$0.05 exp 18 Dec 2018)

Board of Directors

Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Jason Brewer
Non-executive Director

Melissa Chapman
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On the execution of the Agreement and proposed JV, Cape Lambert Executive Chairman, Mr Tony Sage, said: “Cape Lambert has built a successful track record of identifying commodities and projects at the right time. By applying our technical, financial and marketing support we can add immediate value to these projects and return significant value to the Company, its shareholders and all stakeholders.”

“We believe Cobalt, as a commodity, has an extremely positive future and with this transaction and the proposed joint venture, we believe we are well placed to benefit from significant demand and price increases in this commodity sector.

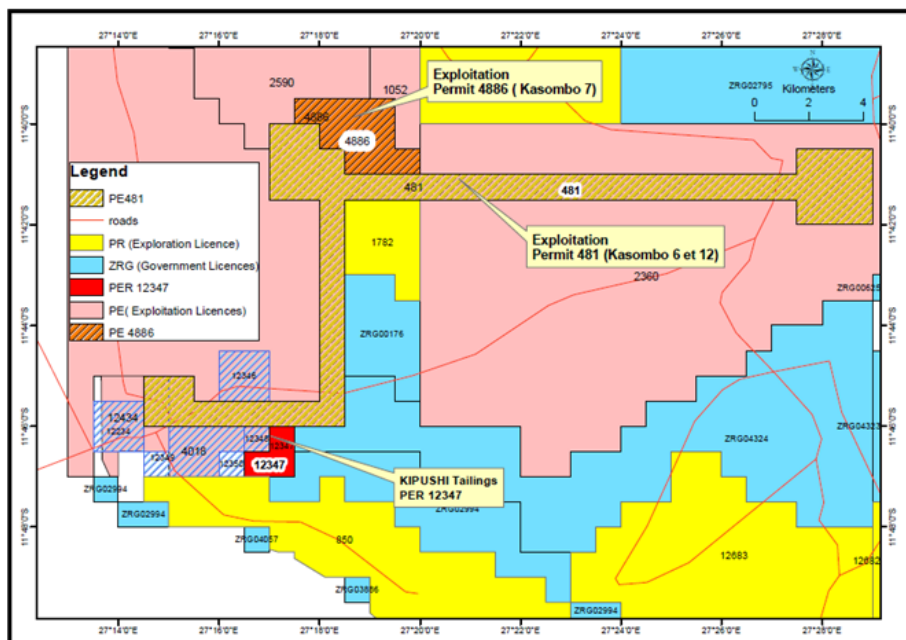
“This Agreement paves the way for a JV that will benefit from advanced, highly attractive and prospective cobalt and copper projects and that will be supported by a well credentialed joint in-country and Australian based technical and operation team that includes geologists, mining engineers, process engineers, local logistics, government and community relations professionals. With our strong combined track record of project delivery and a corporate team highly capable of accessing sufficient capital to advance the nearterm production assets, we look forward to our partnership with Paragon.

“I believe our shareholders will see immediate and long term value from this proposed joint venture.”

Advanced and Near Production Cobalt Projects

The proposed JV with Paragon will initially include the Kipushi Cobalt Tailings Project (**Kipushi**) and Kasombo Copper-Cobalt Project (**Kasombo**).

Both projects are located on granted mining licenses in the Katanga Copper Belt, the location of some of the world’s largest and highest grade copper and cobalt mines.



Location of Kipushi Processing Plant, Kipushi Tailings Project and Kasombo Copper-Cobalt Projects

The projects are approx. 25km from the DRC’s second largest city, Lubumbashi, that is accessed by a well maintained sealed road. The projects benefit from excellent, established infrastructure Lubumbashi is the main service centre for the cobalt and copper mining industry in Haut- Katanga Province.

Kipushi is located on granted mining license PER 12347 and Kasombo, comprising Kasombo 7, Kasombo 6 and Kasombo 12 are located on granted mining licenses PE 4886 and PE 481 respectively. The Kipushi Processing Plant is located approx. 8km by road from the Kipushi Cobalt Tailings Project on PE 4886.

Kipushi Processing Plant

Construction of the Kipushi Processing Plant commenced in July 2014, with final mechanical and power installation testing completed in March 2016. Total construction costs of approx. US\$20m have been spent on the establishment of the plant and mining equipment.



Kipushi Processing Plant - Flotation Cells and Ball Mill

The Kipushi Processing Plant comprises a fully permitted, conventional flotation plant with a throughput of 150 tonnes per hour (annual throughput of +1.0 million tonnes) and has a design capacity is to produce 4,000tpa of cobalt, 10,000tpa copper and 2,000tpa of zinc in concentrate.



Kipushi Processing Plant – Main Plant Building and Conveyors to Waste Dump

The processing plant has been designed and constructed to treat the Kipushi cobalt tailings. Extensive metallurgical testwork was completed in China and in South Africa prior to the commencement of construction activities.

The Kipushi Processing Plant has been designed to produce three separate concentrates. A copper concentrate, a cobalt concentrate grade and a zinc concentrate grade.

The Company will complete a detailed review of the Kipushi Processing Plant and the metallurgical testwork that has been completed, as part of its technical due diligence review.



Kipushi Processing Plant – Mine Equipment and On-Site Administration Offices

The Company is already in preliminary and non-binding discussions with a number of commodity trading groups in respect to potential offtake agreements for the cobalt, copper and zinc concentrates.

Kipushi Cobalt Tailings Project

The Kipushi tailings are located 8km from the Kipushi Processing Plant and immediately adjacent to TSX listed Ivanhoe Mines's Kipushi Project, which is based on the high grade underground zinc-copper mine which operated between 1924 and 1993 and which is considered the world's highest grade zinc project with NI43-101 measured and indicated resources of 10.2Mt grading 34.9% zinc (refer TSX:IVN announcement dated 23 November 2016), and which Ivanhoe Mines are currently completing mine redevelopment.

The Kipushi tailings extend for over 1.2km in length and over 400m in width. The tailings have a maximum depth of approx. 12m in the centre of the tailings dam and 5m at the boundaries of the tailings dam, with average depths of approx. 8m.



The Kipushi Tailings located 8km from the Kipushi Processing Plant

Paragon has secured the right to mine the Kipushi tailings under an existing agreement with State owned copper and cobalt mining company, La Générale des Carrières et des Mines (**Gecamines**).

Under this agreement, Paragon holds a 70% interest in Kipushi and will increase this interest to 80% as a condition precedent to the transaction.

The Kipushi tailings are from Gecamines nearby flotation plant that treated ore from the Lwiswishi open pit cobalt-copper mine. The Lwiswishi Mine, which was operated under a joint venture between Forrest International Group, OM Group and Gecamines, is reported to have produced 4,500tpa of cobalt in the mid-1990s and accounted for as much as 10% of global supply, with approx. 4.7Mt of tailings deposited into the Kipushi tails dam with cobalt grades of 0.4% to 0.7% and copper grades of 1.0% to 1.25% reported in the tailings (refer USGS:Minerals Industry of Congo (Kinshasa) report 1998,1999 by George Oakley).

The Company is proposing to complete further confirmatory sampling and metallurgical testwork and a shallow auger drilling program to allow a JORC 2012 compliant resource and reserve to be determined for Kipushi.

The Company will further complete a detailed technical review of Paragon's proposed mine plan and scheduling for Kipushi as part of its current due diligence review.

Upon successful completion of its due diligence and the establishment of the JV, the Company will allocate its technical and financial resources to finalise and optimise the Kipushi mining plan and processing of the tailings in order to meet the joint venture objectives of commencing mining operations within 6 months.

Kasombo Copper-Cobalt Project

Kasombo is part of the Kasombo Complex, a series of copper-cobalt rich deposits that have been extensively explored by Gecamines and developed and mined by various international companies in joint venture with Gecamines.

Kasombo 1 was the first operation to be developed in 1995 and mined and processed under a joint venture between Forrest International Group and Gecamines and publicly reported to have mined copper and cobalt grades of 2.7% to 3.7% copper and 0.7 to 1.5% cobalt.

Kasombo is part of the proposed JV with Paragon and comprises three projects across two granted mining licenses.

Kasombo 7 is located on PE 4886, which is where the Kipushi Processing Plant is located. Kasombo 6 and Kasombo 12 are located on PE 481, which is contiguous to and south of PE4886.

Paragon has secured an option with Gecamines over Kasombo 6, 7 and 12 which is required to be exercised as a condition precedent to the transaction.

Upon successful completion of its due diligence and the establishment of the JV, the Company will allocate its technical and financial resources to complete further exploration and feasibility study work on Kasombo in order to meet the JV objectives of completing a feasibility study within 18 months.

Cobalt and the Importance of the DRC to World Supply

Cobalt is well positioned for future growth, with increasing demand for use in lithium-ion batteries, as well as expected declines in market supply.

According to a report by Darton Commodities Ltd (refer Darton Commodities Limited – Cobalt Market Review 2015-2016), in 2015 cobalt demand growth of 5.4% outpaced supply growth of 2.4%.

Recent price increases to over US\$41,000/tonne and 5-year highs in February 2017 suggest the supply gap has continued to affect market evaluations.

Bloomberg data demonstrates that the low-grade cobalt spot price has risen close to 80% when compared over the past 15 months as supply shortages exacerbate.

Despite the increased demand for cobalt in lithium-ion batteries, there are very few and no significant new cobalt mining projects expected to come into production before 2018/2019, suggesting that the market is likely to experience a sustained period of production deficit with demand continuing to outstrip production, which is anticipated to have a positive impact on world cobalt prices.

Given that most cobalt production is as a by-product from copper and nickel mining, there are also further supply concerns for current cobalt producers. Low copper and nickel prices have forced the suspension of many mining operations globally, reducing the production of by-product cobalt.

The DRC is the leading producer of cobalt in the world with a number of high grade operations. The country is estimated to have 47% of the global cobalt reserve base and is the world's single largest source of supply, with approximately 63% of global cobalt originating in the DRC in 2016.

The recent demand in cobalt globally has seen increased exploration activity in the sector in the DRC as well as major corporates consolidating their interests in the country. In February 2017, Switzerland-based global commodities group Glencore announced US\$960 million acquisition of the 31% stake in the Mutanda Copper-Cobalt Mine, taking full ownership of the mine from its previous 69% share, and the purchase of a further 15% stake in Katanga Mining Ltd (TSX:KAT), increasing its ownership in the company which owns the Katanga Copper-Cobalt Mine to about 86%.

Despite the potential of increased mine production and supply, demand for cobalt is increasing. The rechargeable battery market remains cobalt's major growth driver, with demand from this sector achieving double digit growth over the past two years. Darton expects that more than 50% of all cobalt that was produced in 2016 was consumed by the battery industry and expects that this share will continue to increase exponentially as demand continues to grow.

Summary Acquisition Terms

The Company has executed the Agreement with Paragon to establish a new joint venture company (**JVCo**), with the following objectives:

- (a) to commence mining activities at Kipushi within 6 months;
- (b) to immediately commence exploration activities on Kasombo;
- (c) to complete a Feasibility Study on Kasombo within 18 months;
- (d) to commence mining activities at Kasombo within 24 months; and
- (e) to identify and secure other copper, tin, zinc, and cobalt projects in the DRC and Zambia to advance towards commercial production.

The Company and Paragon will each be 50% shareholders in JVCo.

Paragon will transfer the rights to Kipushi and the Kasombo to JVCo prior to the Settlement Date.

JVCo will operate the Kipushi Processing Plant and mining equipment to process product from all the Projects.

In respect to Kipushi, the Company will be responsible for: (i) providing all necessary technical resources to JVCo to enable the exploration and mining activities to be conducted to acceptable industry standards and in accordance with the JVCo Budget; (ii) funding 100% of the working capital and capital costs to commence mining; and (iii) funding 100% of any costs required to upgrade the Kipushi Processing Plant to effectively process the tailings from Kipushi.

In respect to Kasombo, the Company will be responsible for: (i) funding 100% of the costs to complete the exploration and feasibility study to commence mining and upgrade, if necessary, the Kipushi Processing Plant to effectively process the ore from the Kasombo; (ii) providing all necessary technical resources to JVCo to enable the exploration and mining activities to be conducted to acceptable industry standards and in accordance with the JVCo Budget; and (iii) securing on behalf of the JVCo 100% of the funds to commence mining, upgrade the Kipushi Processing Plant, and to also conclude any joint venture obligations with Gécamines;

Conditions of the Acquisition

Settlement of the transaction is conditional upon:

- (a) completion of legal, technical and financial due diligence by the Company and Paragon on or before 31 March 2017;
- (b) the Company and Paragon obtaining all necessary approvals required by relevant regulations to enter into and implement the JV Agreement;
- (c) incorporation of the JVCo to the satisfaction of the Company and Paragon, with Paragon and the Company each having a Participating Interest of 50% in JVCo and each to appoint up to 3 Directors on JVCo;
- (d) Preparation of a JV Agreement, ready for execution by the Company and Paragon on the settlement date;
- (e) Paragon executing all necessary documentation to increase its holding in Kipushi to 85%;
- (f) Paragon executing all necessary documentation to secure a 100% interest in Kasombo; and
- (g) Paragon transferring ownership of the projects into JVCo.

With each of the above conditions to be completed on or before 31 March 2017 unless otherwise waived or extended by the Company and Paragon.

Consideration

The Company has agreed to pay the following consideration to its DRC based advisors and lawyers, Pelesa and Associates, who facilitated the origination, structuring and management of the proposed acquisition and the Vendors:

- (a) US\$50,000 payable on execution of a binding heads of agreement;
- (b) US\$100,000 and the issuance of 90,000,000 fully paid Ordinary Shares in the Company, within five business days of the Company executing the JV Agreement;
- (c) US\$150,000 and the issuance of 50,000,000 fully paid Ordinary Shares in the Company, within five business days of the Company achieving first production at any of the projects; and

- (d) the Company granting a 1.00% royalty on all of the Company's attributable revenue from the projects to Pelesa and Associates.

Indicative Timetable and Next Steps

The Company is aiming to complete its legal, technical and financial due diligence by 31 March 2017 and is already well advanced in this process.

The Company's technical due diligence team is in Africa and will complete several site visits and meetings with key stakeholders.

The appointment of in-country lawyers and legal due diligence to confirm the legal title, validity of mining licenses is also well advanced and scheduled to be completed later this quarter.

The Company believes that this opportunity provides shareholders with a near term cobalt production asset, three highly prospective hard rock copper-cobalt projects at a time when cobalt prices exceed US\$41,000/t and major mining companies are aggressively acquiring cobalt projects in the DRC.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

About Us

Cape Lambert is an Australian domiciled, ASX listed (ASX: CFE), fully funded, mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, uranium, cobalt, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America.

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 undervalued and undeveloped Projects.

For more information visit the Company's website www.capelam.com.au.