

28 April 2017

QUARTERLY REPORT – 31 March 2017

Please find attached the Quarterly Activities Report and Appendix 5B for the period ended 31 March 2017.

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
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
Company Secretary

Key Projects and Interests

Marampa Iron Ore Project
Pinnacle Group Assets

Cape Lambert Contact

Tony Sage
Executive Chairman

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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.

Cash Balance

As at 31 March 2017, the Company had approximately A\$1.7 million (including FE Limited cash of A\$494k which is consolidated in accordance with accounting standards) in cash at bank.

Investments

Sale of Mayoko Royalty

On 13 February 2017, the Company advised shareholders that it had sold its 100% owned royalty in the Mayoko iron ore project for A\$1,000,000. The sale is subject to the formality of the new owners signing off on the transaction, which is currently being progressed.

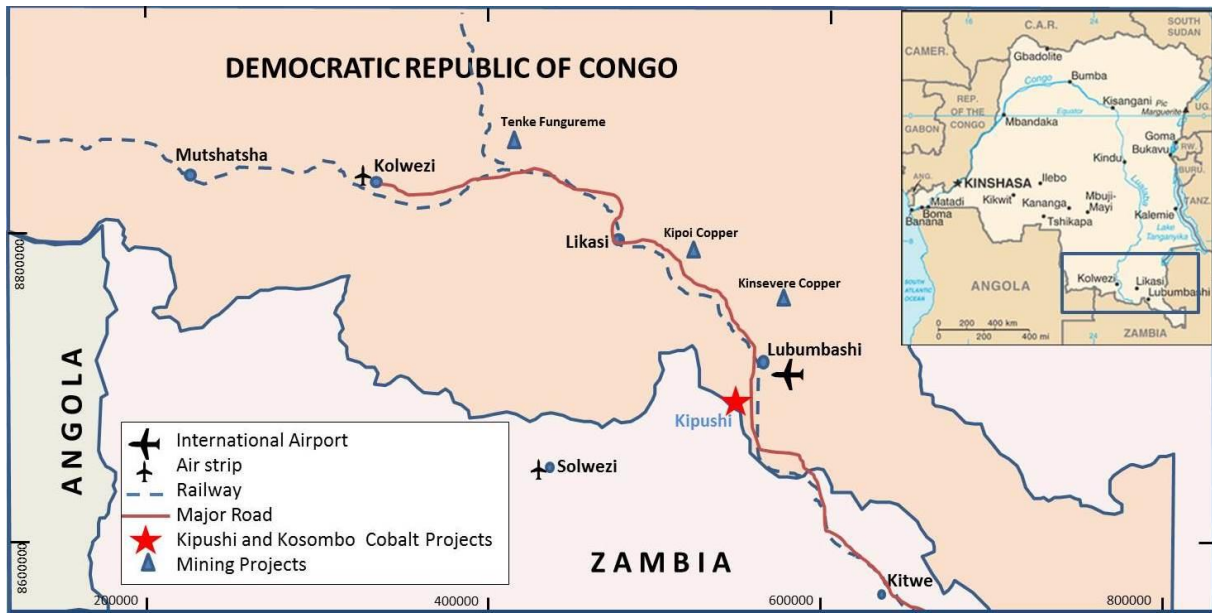
Cobalt Mining and Tailings Processing Operations

On 21 February 2017, the Company announced that it had 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**).

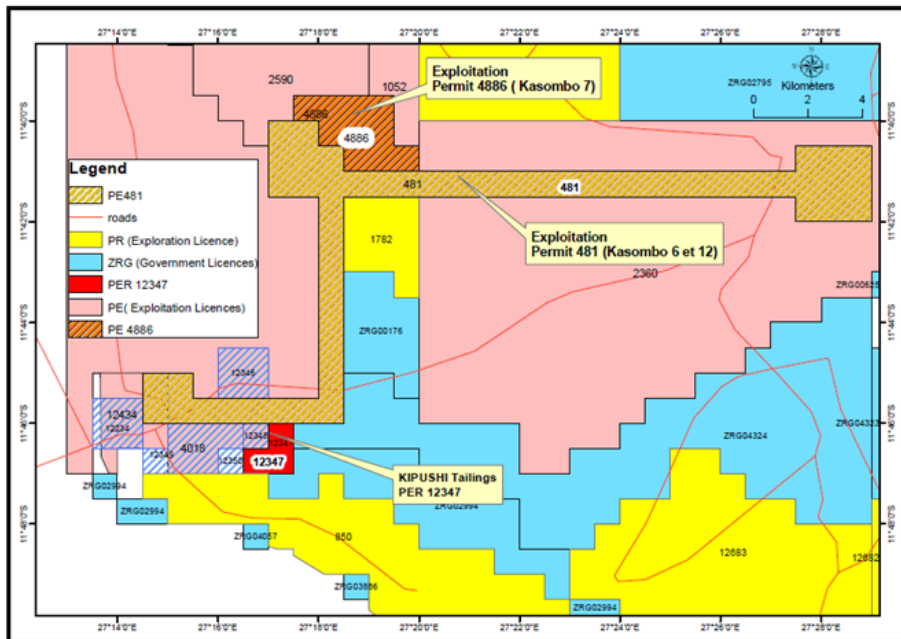
The Company has completed a number of site visits and appointed key technical and legal advisors to progress its legal, technical and financial due diligence. Due diligence is expected to be completed by 30 April 2017.

a. Project

The proposed JV with Paragon will initially include the Kipushi Cobalt Tailings Project (**Kipushi**) and Kasombo Copper-Cobalt Project (**Kasombo**). Both projects are located in the Katanga Copper Belt which is approximately 25km from the DRC's second largest city, Lubumbashi. The projects benefit from excellent, established infrastructure.



Kipushi Location Map



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

b. Kipushi Processing Plant

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

c. Kipushi Cobalt Tailings Project

The Kipushi tailings are located 8km from the Kipushi Processing Plant and extend for over 1.2km in length and over 400m in width with an average depth of approximately 8m.

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 Company's technical consultants collected samples of the Kipushi tailings from various locations and at various depths during a site visit. These samples were dispatched to Bureau Veritas Minerals laboratory in Perth for assay analysis, with the key results as follows (refer to ASX announcement dated 29 March 2017 for full details):

Sample ID	UTM Easting	UTM Northing	Estimated thickness	Co Grade (%)	Cu Grade (%)
KT001	529928	8698248	0.5m	0.43%	1.12%
KT002	529937	8698168	1.0m	0.46%	1.18%
KT003	530033	8698043	2.5m	0.35%	1.08%
KT004	530240	8697959	0.5m	0.41%	0.89%
KT005	529932	8698405	-	1.50%	8.28%

The Company's technical consultants also collected 32kg of additional samples from various locations within the Kipushi Cobalt Tailings Project during their last site visit. This material has been despatched to the laboratory of Mintek in South Africa for characterisation and metallurgical testwork.

This testwork is aimed at verifying previous work completed and aimed at producing both a bulk concentrate grading initially 10-12% copper and greater than 2% cobalt and three separate concentrates of copper, cobalt and zinc. A further objective of this testwork is to conduct gravity work to determine the potential for pre-concentration of a mill product and on tailings from rougher flotation

d. Kosombo Copper-Cobalt Project

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

e. Acquisition Terms

The Company has executed the Agreement with Paragon to establish a new joint venture company (**JVCo**) of which 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 and JVCo will operate the Kipushi Processing Plant and mining equipment to process product from all the projects.

JVCo has the following objectives:

- i. to commence mining activities at Kipushi within 6 months;
- ii. to immediately commence exploration activities on Kasombo;
- iii. to complete a Feasibility Study on Kasombo within 18 months;
- iv. to commence mining activities at Kasombo within 24 months; and
- v. to identify and secure other copper, tin, zinc, and cobalt projects in the DRC and Zambia to advance towards commercial production.

In respect to Kipushi, the Company will be responsible for:

- i. providing all necessary technical resources to JVCo;
- 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, if necessary, upgrade the Kipushi Processing Plant to effectively process the ore from the Kasombo;
- ii. providing all necessary technical resources to JVCo; and
- iii. securing on behalf of the JVCo 100% of the funds to commence mining, upgrade the Kipushi Processing Plant, and conclude any joint venture obligations with Gécamines;

f. 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:

- i. US\$50,000 payable on execution of a binding heads of agreement;
- ii. 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;
- iii. 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
- iv. the Company granting a 1.00% royalty on all of the Company's attributable revenue from the projects to Pelesa and Associates.

g. Off-Take Agreement

The Company has commenced preliminary and non-binding discussions with five major global commodity trading houses, all of whom have expressed an interest to enter into life-of-mine cobalt and copper concentrate offtake agreement in respect to the Kipushi Cobalt Tailings Project (refer ASX Announcement dated 29 March 2017).

In addition, non-binding offers of off-take debt funding and pre-payment finance have also been received for amounts of up to a maximum US\$10m. These are proposed to be made available for funding 100% of the anticipated capital and working capital requirements of the Projects and also fund the acquisition of additional advanced cobalt projects in the DRC.

Timis Mining Corporation Royalty

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. There has been no change during the quarter and the Mine remains on care and maintenance.

Timis Mining Corporation Bridging Finance

The Company provided Bridging finance of US\$8 million to Timis Mining which was 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. Having sought legal advice, the Company is now in mutual discussions with Timis Mining in an attempt to resolve the 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 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.

The Marampa Project remains under care and maintenance.

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.

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 (**Tenements**).

The Company announced during the March 2016 quarter (refer to ASX announcement of 23 March 2016) that it had executed a sale and purchase agreement with a subsidiary of Newcrest Mining Limited (Newcrest) for the sale of its Tenements.

The Sale remains subject to Newcrest receiving approval from the Minister of Mines for the transfer of the Licences, which was pending the renewal of the tenements to occur, which were issued late in the March 2017 quarter. The process of transferring the Licences has commenced.

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 4 granted exploration permits for minerals (EPM's) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 3).

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. 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.

During the quarter Argosy Mineral Limited notified the Company that it was withdrawing from the Farm-in Agreement for mining licences ML 2504, ML 2773 and ML 90098 thereby terminating the agreement.

The Company has subsequently entered in to a Farm-in agreement with private company Cobalt-X Pty Ltd (Cobalt-X) for mining licences ML 2504, ML 2773 and ML 90098. Under the terms of the agreement Cobalt-X will;

- earn an 80% interest in the licences subject to meeting a Project expenditure requirement of \$210,000 over 4 years, or by otherwise making a "Decision to Mine" prior to that date; and
- manage all exploration, development and mining activities at the Project.

Cobalt X has acquired, or is in the process of acquiring, the rights to several niche copper, cobalt and gold mining projects in the Mount Isa Region of northwest Queensland, including Mount Cobalt, Lady Ethleen, Mount Hope, Dayene. The company has also acquired an option over the Lady Jenny processing plant and associated facilities located just 7km from the historical Wee MacGregor minesite.

Cobalt X plans, with these initial assets, to become a near term metals producer and to develop into mid tier energy and precious metals producer in the Mount Isa region. The addition of Wee MacGregor mining licences to the portfolio is an important inclusion bringing the potential to supply feed for the company's aggressive growth plans. Cobalt X is also in the process of being acquired by Cohiba Minerals Limited (ASX:CHK) who are currently conducting due diligence on the acquisition.

Figure 1: Group Structure March 2017

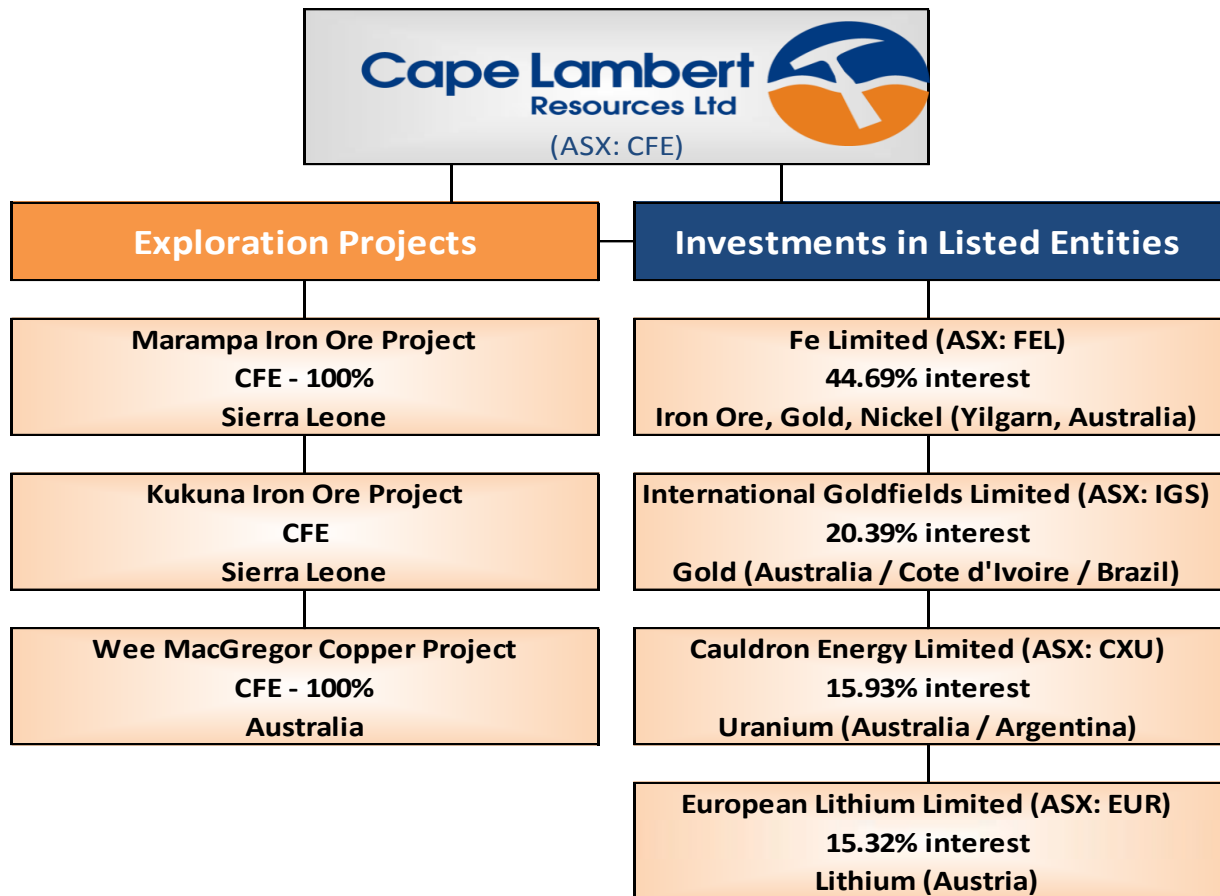
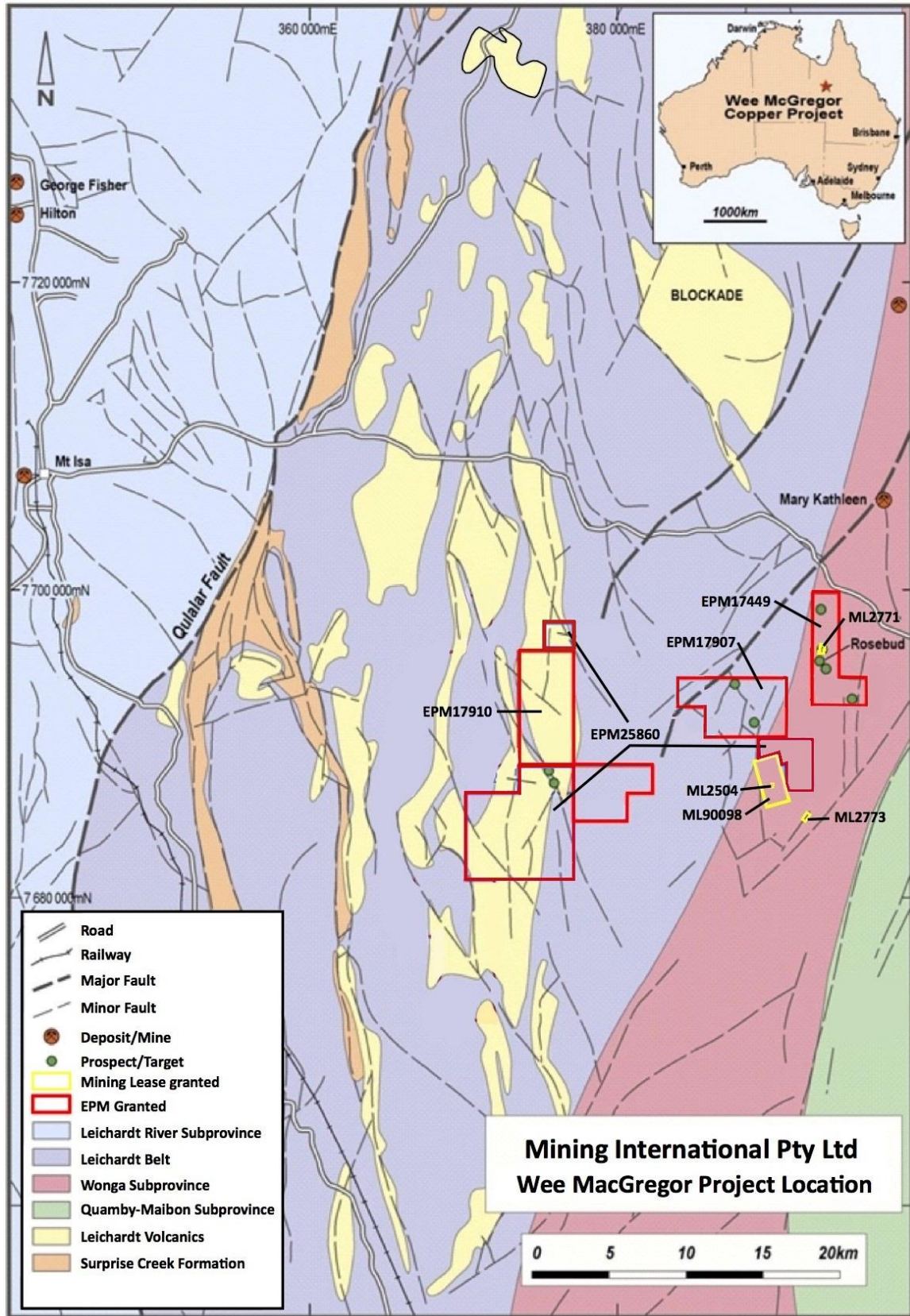


Figure 2: Cape Lambert West African Iron Ore Interests



Figure 3: 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 – ML 05/2014	Lunsar - Sierra Leone	-	-	100%
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	-	-	100%
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%
ML 90098	Wee MacGregor - Queensland	-	-	100%
ML 2504	Wee MacGregor - Queensland	-	-	100%
ML 2771	Wee MacGregor - Queensland	-	-	100%
ML 2773	Wee MacGregor - Queensland	-	-	100%

* pending transfer to a subsidiary of Newcrest Mining Limited

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 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(602)	(1,887)
(b) development	-	-
(c) production	-	-
(d) staff costs	(92)	(253)
(e) administration and corporate costs	(861)	(2,694)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	31
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other		
(a) FEL: Recovery of reverse-takeover transaction costs	-	100
(b) Legal fees recovery of asset	(167)	(167)
(c) Cobalt DD expenses	(108)	(108)
1.9 Net cash from / (used in) operating activities	(1,824)	(4,978)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	338	58
	(d) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	41
	(b) tenements (see item 10)	-	-
	(c) investments	(34)	301
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	304	400

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	700
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(38)
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)	-	(66)
3.10	Net cash from / (used in) financing activities	-	596

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period	(1,520)	(3,982)
4.1	Cash and cash equivalents at beginning of period	3,119	5,615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,824)	(4,978)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	304	400
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	596
4.5	Effect of movement in exchange rates on cash held	65	33
4.6	Cash and cash equivalents at end of period	1,664	1,666

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	1,664	3,119
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)	1,664	3,119

Includes the consolidation of FE Limited (per the audited accounts) which has a current quarter closing cash balance of A\$494k.

6. Payments to directors of the entity and their associates

Current quarter \$A'000
222
-

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

Director payments are inclusive of GST and exclude the reimbursement of expenses

Excluding payments to Directors of FE Limited

7. Payments to related entities of the entity and their associates

Current quarter \$A'000
219
-

7.1 Aggregate amount of payments to these parties included in item 1.2

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 and corporate hospitality costs.

Excluding payments to related entities of FE Limited

8. Financing facilities available

Add notes as necessary for an understanding of the position

	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)	-	-

8.1 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	(684)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(100)
9.5 Administration and corporate costs	(823)
9.6 Other (sale of royalty)	1,000
9.7 Total estimated cash outflows	607

Excluding the estimated cash outflows of FE Limited. Includes expenses associated with Cobalt transaction.

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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.

Sign here:

Date: 28 April 2017

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.