Cape Lambert Resources Ltd

ACN 095 047 920

NOTICE OF GENERAL MEETING

TIME: 10:00am (WST)

DATE: 3 November 2017

PLACE: 32 Harrogate Street
West Leederville WA 6007

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared for the purpose of the Shareholder approval required under ASX Listing Rule 10.1 (Refer to Resolution 1). The Independent Expert's Report comments on the fairness and reasonableness of the Transaction to the non-associated Shareholders. The Independent Expert has determined the Transaction is **NOT FAIR BUT REASONABLE** to the non-associated Shareholders.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 9555.

CONTENTS PAGE

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00am (WST) on 3 November 2017 at:

32 Harrogate Street
West Leederville WA 6007

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy please:

(a) vote on line at www.investorvote.com.au by following the procedures as set out in the attached Proxy Form; or

(b) complete and sign the enclosed Proxy Form and return it:

(i) by post to Computershare Investor Services Pty Ltd, PO Box 242 Melbourne, Victoria 3001; or

(ii) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia)

so that it is received not later than 10:00am (WST) on 1 November 2017.

Proxy Forms received later than this time will be invalid.

Changes to Proxy Voting

Shareholders and their proxies should be aware that pursuant to sections 250BB and 250BC of the Corporations Act:

(c) if the proxy votes, they must cast all directed proxies as directed; and

(d) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

(a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and

(b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and

(c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

(d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

(a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and

(b) the appointed proxy is not the chair of the meeting; and

(c) at the meeting, a poll is duly demanded on the resolution; and

(d) either of the following applies:

  (i) the proxy is not recorded as attending the meeting; or

  (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 10:00am (WST) on 3 November 2017 at 32 Harrogate Street, West Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders at 5:00pm (Perth time) on 1 November 2017.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

RESOLUTION 1 – APPROVAL TO DISPOSE OF ASSET TO RELATED PARTY

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

> *"That, for the purposes of ASX Listing Rule 10.1 and for all other purposes, approval is given for the Company to complete the Transaction with Fe Limited and otherwise on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction Fe Limited (or its nominee), and any of their associates (**Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not an Excluded Party, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Independent Expert's Report: Shareholders should carefully consider the Independent Expert's Report prepared by Stantons International for the purposes of the Shareholder approval required by ASX Listing Rule 10.1 which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders in the Company. The Independent Expert has determined the Transaction is **NOT FAIR BUT REASONABLE** to the non-associated Shareholders.

DATED: 28 SEPTEMBER 2017

BY ORDER OF THE BOARD

MELISSA CHAPMAN
COMPANY SECRETARY

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 10:00am (WST) on Friday, 3 November 2017 at 32 Harrogate Street, West Leederville, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. BACKGROUND TO TRANSACTION

As announced on 21 February 2017, the Company signed a Binding Heads of Agreement (**Agreement**) with Congolese company, Paragon Mining SARL (**Paragon**) to form a 50/50 Joint Venture (**JV Company**) to develop the Kasombo Copper-Cobalt Project (**Kasombo Project**), the Kipushi Cobalt Copper Tailings Project and operate the Kipushi Processing Plant (**Kipushi Project**) in the Democratic Republic of Congo (**DRC**). Cape Lambert's rights to the Kasombo Project were established in the joint venture agreement with Paragon (**JV Agreement**).

As announced on 13 July 2017, the Company entered into a conditional binding terms sheet with FEL (**Terms Sheet**) pursuant to which Cape Lambert agreed to assign and FEL agreed to assume the Kasombo Project Obligations and Kasombo Project Rights. In September 2017, the Company and FEL entered into a formal agreement to more fully document the Transaction (**Formal Agreement**). On completion of the Transaction, Cape Lambert will retain all of its rights and obligations in respect of the Kipushi Project Interest.

The Kasombo Project comprises three mineralized areas of approximately 600 hectares, Kasombo 5, 6 and 7, located within two granted mining licenses PE 481 and PE 4886 (**Licences**) (**Kasombo Project**). The Licences are held by La Generale Des Carrieres Et Des Mines S.A. (**Gecamines**). Congolese entity Paragon Mining SARL (**Paragon**) is a party to a contract with Gecamines for the undertaking of exploration and research work at the Kasombo Project (**Gecamines Contract**).

Cape Lambert's rights and obligations associated with the Kasombo Project and the Kipushi Project were established in the JV Agreement pursuant to which Cape Lambert and Paragon will form an incorporated joint venture with each party holding 50% of the issued capital of that company (**JV Company**) (refer Cape Lambert ASX announcement dated 17 May 2017).

A summary of the key terms of the Gecamines Contract, JV Agreement and Formal Agreement are set out below.

The Kasombo Project is located approximately 25km from the DRC's second largest city, Lubumbashi that is accessed by sealed road. Lubumbashi is the main service centre for the cobalt and copper mining industry in the Haute-Katanga Province. The Project is located near the town of Kipushi, refer to Figures 1 and 2.

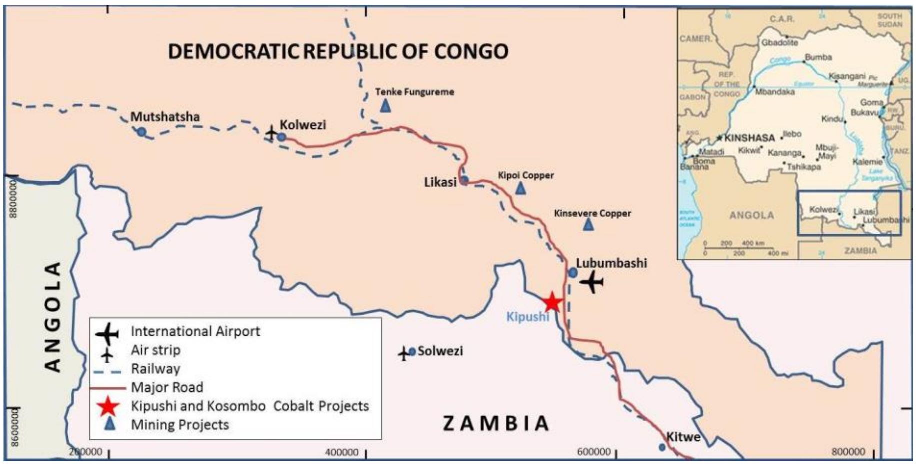

Figure 1: Project Location

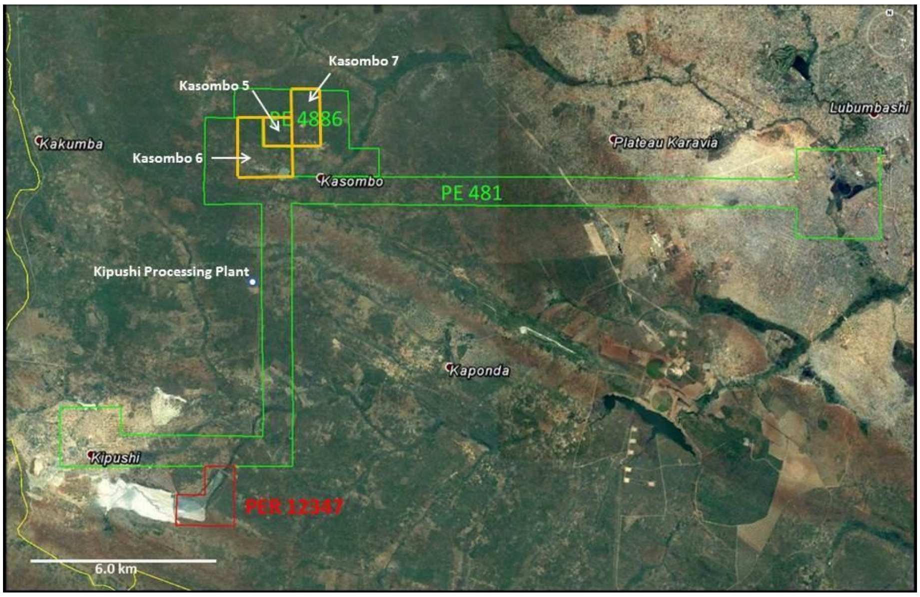

Figure 2: Project Layout

1.1 Summary of Gecamines Contract, JV Agreement and Formal Agreement

Summary of Gecamines Contract

On 24 March 2017, Gecamines and Paragon entered into the Gecamines Contract whereby Gecamines granted Paragon the exclusive right to explore and undertake a feasibility study on the Licences. These obligations were subsequently assumed by Cape Lambert pursuant to the JV Agreement and will be assumed by FEL pursuant to the Formal Agreement on completion of the Transaction.

The term of the Gecamines Contract is three years commencing on 24 March 2017. During the term of the contract Paragon is required to sole fund and complete a feasibility study. If, following completion of the feasibility study, a viable operation is discovered, Paragon would then negotiate an agreement with Gecamines to proceed to development. The contract provides that the options to proceed at that time would be:

(a) a joint venture arrangement with Gecamines whereby Gecamines would receive a 51-60% interest in the joint venture, plus an upfront payment of \$35/t of contained copper plus a 2.5% royalty. Under this arrangement, the costs expended by Paragon (which would be FEL on completion of the Transaction) up to this time are considered to be a loan to the new joint venture repayable on terms to be agreed; or

(b) entry into a leasing arrangement with Gecamines where-in Paragon (which would be FEL on completion of the Transaction) bears the costs expended up to this time and pays Gecamines an upfront payment equivalent to \$35/t of contained copper of the identified copper reserve in the feasibility study plus an ongoing 2.5% royalty of the gross turnover.

Summary of JV Agreement

The JV Agreement governs the affairs of the JV Company and its assets which includes the rights and obligations associated with the Kasombo Project and the Kipushi Project. Under the terms of the JV Agreement, *inter alia*, Cape Lambert assumed all of Paragon's obligations under the Gecamines Contract.

The JV Agreement remains subject to the satisfaction or waiver of a number of conditions precedent including the following:

(a) the amendment to a loan agreement that Paragon has to release the associated security over Paragon's assets (including the Kasombo Project rights);

(b) Paragon executes contracts with the JV Company that transfers ownership of the projects to the Company;

(c) a bank account with a reputable banking institution being opened in the name of the JV Company; and

(d) each of the Shareholders holding 50% of the ordinary shares issued by the JV Company,

(together, the **JV Conditions**). The JV Conditions must be satisfied or waived on or before 29 September 2017, unless extended further by agreement of Cape Lambert and Paragon.

Under the JV Agreement, in relation to the Kasombo Project, Cape Lambert is required to:

(a) provide all necessary technical resources to enable exploration and mining activities at the Kasombo Project to be conducted to acceptable industry standards and in accordance with an agreed budget;

(b) provide 100% of the funding to the JV Company on the basis set out in (c) below to undertake exploration activities at the Kasombo Project, complete the feasibility study and any other expenses the JV Company board my deem necessary;

(c) sole fund the costs of exploration and the completion of a feasibility study on the Kasombo Project in accordance with the requirements of the Gecamines Contract up to a cost of US\$7.5 Million (**Sole Funding Commitment**);

(d) provide any required funds in excess of US\$7.5 Million by way of a loan to the JV Company, which is repayable from future profits of the JV Company; and

(e) if it is determined that a mining operation is viable at the Kasombo Project, secure, on behalf of the JV Company, 100% of the funds for development of the Kasombo Project and to upgrade the Kipushi Processing Plant to process ore from the project, and to also conclude any obligations with Gecamines,

(together, the **Kasombo Project JV Commitments**). On completion of the Transaction, Cape Lambert will retain all of its rights and obligations in respect of the Kipushi Project Interest.

Kipushi Processing Plant

The Kipushi Processing Plant facility was constructed by Paragon during 2015/2016 for the reprocessing of tailings from its nearby Kipushi Tailings Project (PER 12347). It comprises a conventional flotation plant with a 1Mtpa design throughput to produce a copper-cobalt concentrate.

As noted above, it is contemplated that ore from the Kasombo Project will be processed through the Kipushi Process Plant, which will necessitate significant upgrades to be completed to achieve the target production contemplated by the JV Agreement.

Summary of Formal Agreement

On 18 September 2017, Cape Lambert and FEL entered into the Formal Agreement which provides that, on settlement of the Transaction:

(a) Cape Lambert will assign to FEL the Kasombo Project Rights related to the period from settlement; and

(b) FEL will assume the Kasombo Project Obligations related to the period from settlement.

On completion of the Transaction FEL will be responsible for the Kasombo Project JV Commitments detailed above. Completion of the Transaction is conditional on satisfaction of the following:

(a) FEL successfully raising a minimum of $2,000,000 pursuant to a share placement;

(b) FEL obtaining all necessary Shareholder approvals in relation to the Transaction and the issue of the FEL Shares to the facilitator of the Transaction;

(c) Cape Lambert obtaining all necessary shareholder approvals required in relation to the Transaction;

(d) the conditions precedent listed in the JV Agreement are satisfied or waived by Paragon and/or Cape Lambert as appropriate (with any waiver subject to the prior written approval of FEL);

(e) Cape Lambert confirming that the warranties provided by Paragon in the JV Agreement remain true and accurate as at the settlement date;

(f) receipt of all necessary consents in respect of the Transaction; and

(g) Cape Lambert obtaining necessary consent in writing from Paragon in relation to the Transaction.

(together, the **Conditions**).

The Conditions (other than (a) above) must be satisfied or waived by 29 September 2017 unless otherwise waived or extended by the Company and FEL.

Consideration payable to Cape Lambert (or nominee) for the Transaction is the issue of 25,000,000 FEL Shares at a deemed issue price equal to the volume weighted average closing price of FEL Shares as quoted on ASX over the last five (5) trading days immediately preceding the settlement date (**Consideration Shares**). The Consideration Shares will be issued on the settlement date and escrowed for a period of 12 months from the date of issue.

Until settlement of the Transaction, Cape Lambert will continue with its obligations under the JV Agreement for conducting the exploration works at the Kasombo Project. FEL will reimburse Cape Lambert for expenditure incurred during by Cape Lambert since its acquisition of the Kasombo Interest (**Pre-Settlement Expenditure**) up to a maximum of $125,000 in total.

On the date of execution of the Terms Sheet, FEL paid Cape Lambert $50,000 in advance as a contribution towards the Pre-Settlement Expenditure. The final amount of Pre-Settlement Expenditure payable by, or refundable to, FEL shall be paid or refunded three (3) months after Settlement. The maximum additional amount of Pre-Settlement Expenditure payable by the Company is a further $75,000.

After settlement Cape Lambert will use its best endeavours to get Paragon to agree toFEL and Paragon forming a new joint venture company (**New JV Company**) to exclusively govern the Kasombo Project and to enter into a new shareholders agreement to administer the New JV Company (**New Kasombo Project Agreement**). FEL and Paragon would have a 50-50 interest in the New JV Company.

From settlement and until such time as Paragon and FEL enter into the New Kasombo Project Agreement Cape Lambert will hold the Kasombo Project Rights and the Kasombo Project Obligations on trust for FEL and will at all times act on the instructions of FEL in respect of the Kasombo Project Rights and the Kasombo Project Obligations.

Until FEL and Paragon enter into a New Kasombo Project Agreement Cape Lambert must keep FEL fully informed of all matters pertaining to the Kasombo Project.

In the event that Paragon do not agree to the formation of a New JV Company, then prior to any development proceeding to exploit the Kasombo Project, Cape Lambert and FEL will negotiate and execute a further agreement that will set out the terms of a suitable operating structure, or some other arrangement, acceptable to FEL that would provide security against FEL's investment in developing and exploiting the Kasombo Project.

Cape Lambert must indemnify FEL in respect of any claim, loss, action, damage or liability suffered by FEL arising from any breach by Cape Lambert of the Kasombo Project Obligations relating to the period up to settlement and its obligations under the JV Agreement (other than a breach of the Kasombo Project Obligations after settlement).

FEL must indemnify Cape Lambert in respect of any claim, loss, action, damage or liability suffered by Cape Lambert arising from any breach of the Kasombo Project Obligations relating to the period from settlement.

Under the JV Agreement, the Kipushi Process Plant remains the property of Paragon until Cape Lambert satisfies its funding obligations in relation to the projects. In the event that the Kasombo Project advances such that upgrading of the Kipushi Processing Plant will form part of the development work for processing Kasombo Project ore, then Paragon, Cape Lambert and FEL must first work together to determine an suitable ownership structure, or some other arrangement, acceptable to FEL that would provide security against its investment in upgrading the Kipushi Processing Plant.

Pelesa & Associates Law Firm (**Pelesa**) introduced the Kasombo, Kipushi Tailings and Kipushi Processing Plant projects to Cape Lambert and later facilitated and assisted in negotiating the JV Agreement. Cape Lambert is obligated to pay Pelesa certain advisory fees, part of which are attributable to the Kasombo Project. Under the Formal Agreement, FEL has assumed responsibility for the following advisory fees:

(a) in the event that production is achieved at the Kasombo Project

- (i) prior to production at Cape Lambert's Kipushi Tailings Project, then FEL will:
  - (A) issue Pelesa 25,000,000 Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL Shareholder approval if required; and
  - (B) pay Pelesa US$75,000 within 5 Business Days of achieving production at the Kasombo Project; or
- (ii) after production at Cape Lambert's Kipushi Tailings Project, then FEL will issue Cape Lambert 25,000,000 Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL Shareholder approval if required); and

(b) the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project.

If the issue of Shares to Pelesa or Cape Lambert referred to above is subject to FEL shareholder approval and the approval is not obtained despite the best endeavours of FEL, FEL must in lieu thereof pay Pelesa or Cape Lambert (as the case may be) within 15 Business Days of demand a sum equal to 25,000,000 multiplied by the volume weighted average price (excluding special crossings) of Shares in the 10 trading days immediately after the date of demand.

FEL may elect to withdraw and terminate the Formal Agreement by giving 30 days' notice in writing to Cape Lambert and Paragon.

2. RESOLUTION 1 – APPROVAL TO DISPOSE OF ASSET TO RELATED PARTY

2.1 General

As outlined in Section 1, the Company has entered into the Formal Agreement in relation to the Transaction.

The Company is required to obtain Shareholder approval under ASX Listing Rules 10.1 in order to complete the Transaction. Resolution 1 seeks this approval.

2.2 ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, amongst other persons, a related party of the entity, a substantial holder or one of its associates, without the prior approval of holders of the entity's ordinary shareholders.

Disposal

The Transaction is a disposal by the Company.

Substantial asset

For the purposes of ASX Listing Rule 10.1, an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the ASX Listing Rules.

The equity interests of the Company as defined by the ASX Listing Rules and as set out in the latest accounts given to ASX under the ASX Listing Rules (being for the half year ended 31 December 2016) were $4,032,268. 5% of this amount is $201,613.

As set out in the Independent Expert's Report, the value of the Consideration for the Transaction is more than 5% of the equity interests of the Company as set out in the latest accounts given to ASX under the ASX Listing Rules.

Therefore, the Transaction constitutes the disposal of a substantial asset by the Company for the purposes of the ASX Listing Rules.

Related Party

For the purposes of ASX Listing Rule 10.1, a related party of an entity includes, amongst other persons, an entity that controls a public company.

As at the date of this Notice, the Company (via its wholly owned subsidiary Dempsey Resources Pty Ltd) holds 41.47% of the issued share capital of FEL and is therefore likely to be considered to control FEL.

Requirement for shareholder approval

As a result of the above conclusions, the completion of the Transaction will result in the disposal by the Company of a substantial asset to a related party of the Company and the Company is required to seek Shareholder approval under ASX Listing Rule 10.1.

Accordingly, the Company is seeking Shareholder approval for the purpose of ASX Listing Rule 10.1 pursuant to Resolution 1 to complete the Transaction on the terms and conditions set out in Section 1.

Independent Expert's Report

ASX Listing Rule 10.10.2 requires a notice of meeting containing a resolution under ASX Listing Rule 10.1 to include a report on the transaction from an independent expert.

The Independent Expert's Report set out in Annexure A sets out a detailed independent examination of the Transaction to enable non-associated Shareholders to assess the merits and decide whether to approve the Transaction.

To the extent that it is appropriate, the Independent Expert's Report sets out further information with respect to the Transaction and concludes that it is **NOT FAIR BUT REASONABLE** to the non-associated Shareholders.

Shareholders are urged to carefully read the Independent Expert's Report to understand its scope, the methodology of the valuation and the sources of information and assumptions made.

The Independent Expert's Report is also available on the Company's website (www.capelam.com.au). If requested by a Shareholder, the Company will send to the Shareholder a hard copy of the Independent Expert's Report at no cost.

Additional risk factors

FEL will rely on Cape Lambert acting on its behalf in regards to the Kasombo Project and in the best interests of the Company at all times. If FEL does not consider that Cape Lambert is acting in this capacity there could be adverse outcomes in respect of Cape Lambert's relationship with Paragon and its ongoing obligations under the JV Agreement.

The Kasombo Project JV Commitments are onerous in comparison to FEL's current cash position. And while completion of the Transaction is conditional upon FEL raising $2,000,000 pursuant to a placement further funds will need to be raised and there is no guarantee that this will be possible. In addition, Cape Lambert's funding commitments under the JV Agreement in respect of the Kipushi Project are also onerous compared to their current cash position. If FEL or Cape Lambert do not have sufficient funds to comply with their respective funding obligations in respect of the Kasombo Project and the Kipushi Project (as the case may be) then their interests in those projects could be at risk.

Cape Lambert is subject to the risk that financial failure or default by FEL in respect of its obligations under the Formal Agreement will result in it being in breach of the terms and conditions of the JV Agreement.

Advantages of the Transaction

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(a) the Company is not required to fund the exploration and development of the Kasombo Project; and

(b) the Company will still benefit from the upside of the exploration and development success through its shareholding in FEL; and

(c) enables the Company to solely focus its efforts on bringing the Kipushi Project to production.

Disadvantages of the Transaction

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

(a) the Company will not benefit from any direct increases in the market value of the Kasombo Project;

(b) there is no guarantee that the Directors of the Company will be able to source a new project for Cape Lambert; and

(c) current Shareholders will be exposed to the additional risks as set out above.

Intentions if Transaction is not approved

If Resolution 1 is not passed and the Transaction is not completed, the Company will maintain the Kasombo Project Obligations and the Kasombo Project Rights and continue with its obligations under the JV Agreement.

3. ENQUIRIES

Shareholders are requested to contact Melissa Chapman on (+ 61 8) 9380 9555 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

$ means Australian dollars.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company, Cape Lambert or **CFE** means Cape Lambert Resources Limited (ACN 095 047 920).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

FEL means Fe Limited (ACN 112 731 638).

FEL Share means a fully paid ordinary share in the capital of FEL.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Expert means Stantons International.

Independent Expert's Report means the report prepared by the Independent Expert and annexed to this Notice at Annexure A.

Kasombo Project Interest means the interest in the Kasombo Project to be acquired by FEL pursuant to the Transaction.

Kasombo Project Obligations means all obligations, covenants, conditions and liabilities of the Company under the JV Agreement in so far as they relate to the Kasombo Project arising after settlement of the Transaction.

Kasombo Project Rights means all right, title, interest and benefit, including causes of action, of Cape Lambert under the JV Agreement in so far as they relate to the Kasombo Project arising after settlement of the Transaction.

Kipushi Project Interest means the interest in the Kipushi Project acquired by Cape Lambert pursuant to the JV Agreement.

Notice or **Notice of Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Related Party has the meaning set out in section 228 of the Corporations Act.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Transaction means:

(a) the assignment of all of the Kasombo Project Rights under the JV Agreement to FEL; and

(b) the assumption by FEL of all of the Kasombo Project Obligations under the JV Agreement.

US$ means the currency of the United States of America.

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A – INDEPENDENT EXPERT'S REPORT

Stantons International Securities

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 42 128 908 289
AFS Licence No: 448797
www.stantons.com.au

18 September 2017

The Directors
Cape Lambert Resources Limited
32 Harrogate Street
WEST LEEDERVILLE WA 6007

Dear Sirs

RE: CAPE LAMBERT RESOURCES LIMITED ("CFE" OR "THE COMPANY") (ABN 71 095 047 920) ON THE PROPOSAL THAT SHAREHOLDERS APPROVE THE ASSIGNMENT OF CFE'S 50% INTEREST IN THE KASOMBO COPPER-COBALT PROJECT OPERATING OUT OF THE DEMOCRATIC REPUBLIC OF CONGO ("DRC") TO FE LIMITED ("FEL"), A DEEMED RELATED PARTY OF CFE- MEETING OF SHAREHOLDERS PURSUANT TO AUSTRALIAN SECURITIES EXCHANGE ("ASX") LISTING RULE 10.1

1. Introduction

1.1 Stantons International Securities Pty Ltd (trading as Stantons International Securities) ("We" or "SIS") has been requested by the Directors of CFE to prepare an Independent Expert's Report to determine the fairness and reasonableness relating to the assignment of CFE's 50% share in the Kasombo Copper-Cobalt Project ("Kasombo Project") in the DRC to FE Limited ("FEL") that will be referred to in the Notice of Meeting of Shareholders ("Notice") and the Explanatory Statement ("ES") attached to the Notice planned to be distributed to CFE shareholders in September 2017 or early October 2017. Resolution 1 on the Notice and ES refers to the proposals with FEL.

1.2 A binding term sheet was signed between CFE and FEL in relation to the proposed assignment (to FEL) on 13 July 2017. The consideration payable by FEL to CFE will be the issue of a total of 25,000,000 FEL shares ("Consideration Shares") to CFE along with a $50,000 advance payment as a contribution for the reimbursement of exploration expenses and the reimbursement of up to an additional $75,000 of reimbursable exploration expenses payable (to CFE) three months after settlement date relating to the consideration to acquire CFE's 50% share in the Kasombo Project. Furthermore, FEL assumes the obligations and commitments that CFE has pursuant to an agreement with Paragon Mining SARL ("Paragon") as noted below ("Paragon JV Agreement").

1.3 The proposal to assign CFE's 50% interest in the Kasombo Project is known in this report as the Assignment or the Assignment Transaction. Further details are to be outlined in the Notice and ES.

Pelesa & Associates Law Firm ("Pelesa") introduced the Kipushi Tailings Project and Kipushi Processing Plant (together the "Kipushi Project") and the Kasombo Project to CFE and later facilitated and assisted in negotiating the Paragon JV Agreement. CFE is obligated to pay Pelesa certain advisory fees, part of which are attributable to the Kasombo Project. Under the Paragon JV Agreement, FEL has assumed responsibility for the following advisory fees:

- FEL will issue 25,000,000 Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL Shareholder approval if required) to:

  - Pelesa if production at the Kasombo Project is prior to CFE achieving production at its Kipushi Tailings Project; or
  - CFE if production commences after CFE's Kipushi Tailings Project.

- the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project.

- The payment of US$75,000 to Pelesa if production at the Kasombo Project is prior to CFE achieving production at its Kipushi Tailings Project.

  In addition, a further 10,000,000 shares ("Facilitator Shares") will be issued by FEL to the Facilitator of the proposed Assignment.

  All Consideration Shares and all Facilitator Shares will be issued at a price equal to the volume weighted average closing price ("VWAP") of FEL shares as quoted on ASX over the last five (5) trading days immediately preceding execution of the Term Sheet.

1.4 CFE, on 13 July 2017 announced that it had entered into an agreement to assign CFE's 50% share in the Kasombo Project in the DRC to FEL. The other 50% of the Kasombo Project is held by the Congolese entity, Paragon. The Kasombo Project, which comprises three mineralised areas on blocks 5, 6 and 7 on mining licences PE 481 and PE4886, is located approximately 24 km from the DRC's second largest city, Lubumbashi, in the Katanga Copper Belt that is well known to contain copper and cobalt mineralisation.

1.5 CFE, on or around 17 May 2017 agreed to enter into the Paragon JV Agreement (formalised via a shareholders' agreement as noted below) with Paragon, with the objectives (in relation to the Kasombo Project) being to:

- Undertake the exploration activities at the Kasombo Project;
- Complete a Feasibility Study on the Kasombo Project; and
- Commence mining activities at the Kasombo Project within 24 months.

This has been updated via a Shareholders Agreement dated 6 July 2017 between CFE, Paragon and Soludo Lambert Mining SAS ("SLM"). SLM is the corporate vehicle that CFE and Paragon are using to operate the Paragon JV Agreement and it will own the Kipushi Tailings Project, the Kasombo Project and subject to meeting certain conditions, the Kipushi Processing Plant. 50% of Soludo is owned by CFE and 50% is owned by Paragon. The Kipushi Project is not part of the Assignment Transaction proposal between CFE and FEL.

Once conditions are met, SLM will have an effective 80% interest in the Kipushi Project and an 100% interest in the Kasombo Project.

CFE is responsible for:

(i) funding 100% of the costs to complete the exploration and development activities and upgrade the Kipushi Processing Plant as required to effectively process the tailings from the Kipushi Project. Any funding in excess of US$7,500,000 will be advanced to the Kipushi Project as a loan (to SLM), repayable from future project revenues;

(ii) funding 100% of the costs to US$7,500,000 to complete the exploration and feasibility study in respect of the Kasombo Project. Any funding in excess of US$7,500,000 will be advanced as a loan to SLM;

(iii) providing all necessary technical resources to enable the exploration and mining activities to be conducted to acceptable mining standard and in accordance with an agreed budget; and

(iv) securing on behalf of the Kasombo Project, 100% of the funds to commence mining, upgrade the Kipushi Processing Plant, and to also conclude any joint venture obligations with La Generale Des Carriers Et Des Mines ("Gecamines"), a DRC state owned mining company.

The total Equity Contribution of CFE (via funding SLM) is to be US$15,000,000 (the two lots of US$7,500,000 referred to above). Should the actual funding under one of the above be less than US$7,500,000, then the difference between the actual spend and US$7,500,000 shall be added to the US$7,500,000 to the other funding obligation or used for other purposes as directed by the Board (of SLM), such as accelerating Mining Activities (as defined) at the Kasombo Project.

Pelesa introduced the Kasombo and Kipushi Processing Plant projects to CFE and later facilitated and assisted in negotiating the Paragon JV Agreement.

FEL acknowledges that CFE is obligated to pay Pelesa certain Advisory Fees, part of which are attributable to the Kasombo Project. FEL agrees to assume responsibility for the following Advisory Fees:

(a) <u>in the event that production is achieved at the Kasombo Project</u>:

i. prior to production at CFE's Kipushi Project, then FEL will issue to Pelesa 25,000,000 FEL Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL shareholder approval if required); or

ii. after production at CFE's Kipushi Project, then FEL will issue to CFE 25,000,000 FEL Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL shareholder approval if required),

("Production Consideration Shares"); and

(b) <u>the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project</u>.

(c) <u>The payment of US$75,000 to Pelesa if production at the Kasombo Project is prior to CFE achieving production at its Kipushi Tailings Project</u>

The remaining 25,000,000 shares of the Advisory Fees payable to Pelesa are to be CFE Shares issued on production from either the Tailings (retained by CFE) or the Kasombo Project by CFE.

Gecamines holds the three mineralised zones of approximately 600 hectares, Kasombo 5,6 and 7, located within two granted mining licences PE 481 and PE 4886. On 24 March 2017, Paragon executed a contract with Gecamines for the undertaking of exploration and research work at the Kasombo Project.

1.6 The Kipushi Processing Plant is currently owned by Paragon and shall remain the property of Paragon until CFE satisfies its Equity Contributions. As noted above, the Kipushi Processing Plant is not part of the proposal between CFE and FEL and the US$7,500,000 funding in relation to the Kipushi Processing Plant will remain the responsibility of CFE (and not FEL).

CFE also retains the right to a 40% interest in the Kipushi Tailings located on mining lease PER12347 and thus FEL will have no rights to exploit such tailings. CFE is in negotiation with various parties to fund exploitation of the Kipushi Project, possibly by way of an upfront offtake agreement. This has been referred to in prior announcements made by CFE to the ASX. At the date of this report, no offtake agreement has been announced. Any proceeds from an offtake agreement will also be used to refurbish the Kipushi Processing Plant at an estimated cost of US$7,500,000 as noted above.

Further details on the Paragon JV Agreement between Paragon, CFE and SLM are outlined in the ES attached to the Notice. In effect, FEL will take over the Kasombo Project obligations and commitments of CFE under the Paragon JV Agreement of 6 July 2017 and, inter-alia is obligated to spend US$7,500,000 as noted above, that is funding 100% of the costs to US$7,500,000 to complete the exploration and feasibility study in respect of the Kasombo Project.

1.7 Listing Rule 10.1 of the ASX Listing Rules provides that shareholder approval is required before a listed company may sell a substantial asset from various persons in a position of influence. This includes selling or acquiring a substantial asset from a related party or a substantial shareholder.

The Assignment represents a substantial asset of CFE based on the 31 December 2016 audit reviewed accounts as the deemed Assignment Consideration to be received by CFE from FEL will represent more than 5% of the last financial statements lodged with the ASX (last audit reviewed accounts lodged with ASX were to 31 December 2016).

It is noted that CFE and FEL have a common Director in Tony Sage and FEL is a subsidiary of CFE, Dempsey Resources Pty Ltd owns 121,573,635 shares in FEL (as at 10 September 2017) and is thus deemed a substantial shareholder of FEL. Where a sale of a substantial asset takes place, the Listing Rules requires an Independent Expert's Report to report as to whether the relevant transactions are fair and reasonable to non-associated shareholders.

1.8 To assist shareholders in making a decision on the Assignment Transaction, the CFE directors have requested that SIS prepare an Independent Expert's Report, which must state whether, in the opinion of the Independent Expert, the Assignment Transaction as noted in Resolution 1 is fair and reasonable to the non-associated CFE shareholders.

1.9 Apart from this introduction, this report considers the following:

- Summary of opinion
- Implications of the proposals between CFE and FEL
- Corporate history and nature of business
- Future direction of CFE
- Value of consideration as to the Assignment Transaction
- Consideration as to fairness and reasonableness of the Assignment Transaction
- Conclusion as to fairness and reasonableness of the Assignment Transaction
- Sources of information
- Appendices A and B (the independent geological valuation report) and Financial Services Guide

1.10 In determining the fairness and reasonableness of the Assignment Transaction pursuant to Resolution 1, we have had regard for the definitions set out by the Australian Securities and Investments Commission ("ASIC") in its Regulatory Guide 111, "Content of Expert Reports". Regulatory Guide 111 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness). The concept of "fairness" is taken to be the value of the offer price, or the consideration, being equal to or greater than the value of the securities in the above-mentioned offer. Furthermore, this comparison should be made assuming 100% ownership of the "target" and irrespective of whether the consideration is scrip or cash. An offer is "reasonable" if it is fair.

An offer may also be reasonable, if despite not being "fair", there are sufficient grounds for security holders to accept the offer in the absence of any higher bid before the close of the offer.

Accordingly, our report in relation to Resolution 1 comprising the approval to dispose of CFE's interest in the Kasombo Project to FEL is concerned with the fairness and reasonableness of the proposal with respect to the existing non-associated shareholders of CFE.

1.11 **In our opinion, taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the Assignment Transaction outlined in paragraphs 1.2 to 1.4 and Resolution 1 is considered to be <u>not fair but reasonable</u> at the date of this report.**

1.12 The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this Report, including the independent valuation report (the "Maynard Valuation Report") on the Kasombo Project prepared by Al Maynard & Associates ("Maynard") and included as Appendix B to this report

2. Implications of the Proposal with FEL

2.1 As at 14 September 2017, there are 833,019,019 ordinary fully paid shares on issue in CFE. The significant registered fully paid shareholders as at 1 September 2017, based on the top 20 shareholders list were disclosed as follows:

	No. of fully paid shares	% of issued fully paid shares
Gulf Energy International Limited	94,000,000	11.28
Okewood Pty Ltd	77,766,681	9.34
National Nominees Limited (DB A/C)	35,240,154	4.23
	207,006,835	24.85

The top 20 shareholders at 1 September 2017 owned approximately 50.31% of the ordinary issued capital of the Company.

2.2 As at 14 September 2017, the Company had 23,500,000 share options outstanding, exercisable at 5 cents each, on or before 31 December 2018.

2.3 If the Assignment Transaction is completed by assigning CFE's 50% interest in the Kasombo Project (excluding the Kipushi Tailings and the Kipushi Processing Plant) to FEL, CFE's share structure would not change, however it would receive up to $125,000 in cash for the reimbursement of expenses and 25,000,000 Consideration Shares in FEL.

CFE, through its wholly owned subsidiary Dempsey Resources Pty Ltd, would increase its relevant shareholding interest in FEL from 121,573,635 shares (approximately 41.47% of the current issued capital of FEL) to 146,573,635 shares in FEL (approximately 44.66% of the expanded issued capital of FEL after the issue of the Consideration Shares and 10,000,000 shares to the facilitator of the Assignment Proposal but prior to any further share issues by FEL).

CFE's obligations to spend US$7,500,000 on the Kasombo Project as part of the Paragon JV Agreement (no obligations relate to the Kipushi Processing Plant and the Kipushi Tailings) as noted above, is transferred to FEL. It is expected that FEL will undertake a placement or series of placement of shares to raise cash and, subject to exploration results, enter into a take-off agreement with an overseas party in relation to copper-cobalt that may be expected from future production, so it can meet its obligations (taken over from CFE) under the Paragon JV Agreement).

CFE is in negotiation with various parties to fund exploitation of the Kipushi Project, possibly by way of an upfront offtake agreement. This has been referred to in prior announcements made by CFE to the ASX. At the date of this report, no offtake agreement has been announced. Any proceeds from an offtake agreement will also be used to refurbish the Kipushi Processing Plant at an estimated cost of US$7,500,000 as noted above.

2.4 The current Board of Directors is not expected to change in the near future following the passing of Resolution 1 at the proposed shareholders meeting. New directors may be appointed in the future as and when the need arises. The existing directors of CFE are Tony Sage, Tim Turner and Jason Brewer.

3. Corporate History and Nature of Business

3.1 CFE is a listed mineral investment, exploration and evaluation company on the ASX. Its significant assets, in addition to its recent interest in the Kasombo Project and the Kipushi Project as at 31 August 2017 include:

- 20.39% shareholding interest in International Goldfields Limited (ASX: IGS);
- 15.93% shareholding interest in Cauldron Energy Ltd (ASX: CXU);
- 41.47% shareholding interest in FE Limited (ASX: FEL);
- 14.53% shareholding interest in European Lithium Limited (ASX: EUR);
- 27.4% shareholding interest in Global Strategic Metals Limited (Unlisted);
- 100% interest in the Marampa Iron Ore Project in Sierra Leone, West Africa;
- An interest in the Kukuna Iron Ore Project in Sierra Leone, West Africa; and
- 100% interest in the Wee McGregor Copper Project in Queensland.

In addition, CFE has an option to acquire a 70% interest in the Kitwe Cobalt-Copper Tailings Project in Zambia, Africa and has other small investments in other unlisted entities.

3.2 FEL is a listed mineral exploration company on the ASX. The FEL Group's significant assets as at 14 September 2017 are:

- 20% free carried interest (to decision to mine) in the Bryah Basin JV (copper-gold and base metal prospects in Western Australia);
- 20% free carried interest (to decision to mine) in the Auris Projects (copper-gold and base metal prospects in Western Australia);
- 20% free carried interest (to decision to mine) in the Alchemy Projects (copper-gold and base metal prospects in Western Australia);

- The Mt Ida Gold Project near Menzies, Western Australia (rights to explore iron ore obtained from Mt Ida Gold Pty Ltd; and
- The Evanston Iron Ore Royalty (a 1.5% dry metric tonne, FOB royalty with Black Oak Minerals Limited (ASX: BOK)).

Cash reserves as at 30 June 2017 was $422,649.

3.3 Further details are in announcements made by CFE and FEL to the ASX to 18 September 2017 and shareholders are encouraged to read recent reports and announcements post 15 September 2017 before determining whether to vote for or against Resolution 1 in the Notice.

4. Future Directions of CFE

4.1 We have been advised by the directors and CFE that:

- The composition of the Board is not expected to change in the short term as a result of the proposed Assignment Transaction. The proposed divestment of the 50% interest in the Kasombo Project will allow the board to concentrate on the Kipushi Project and other existing projects for the Company;
- The Company has no further plans at the date of this report to enter into transactions with FEL (other than the Assignment Transaction);
- No Dividend policy has been set;
- The Company may seek new capital by way of share issues and arrange, if feasible an offtake agreement relating to the Kipushi Project.

5. Value of Consideration received from the Assignment

5.1 The Assignment Consideration payable by FEL to CFE will be the issue of a total of 25,000,000 Consideration Share to CFE along with a $50,000 advance payment as a contribution for the reimbursement of exploration expenses and the reimbursement of up to an additional $75,000 of reimbursable exploration expenses payable (to CFE) three months after settlement date relating to the consideration to acquire CFE's 50% share in the Kasombo Project pursuant to the Paragon JV Agreement. Furthermore. The US$7,500,000 expenditure commitment pertaining to the Kasombo Project is no longer payable by CFE but is assumed by FEL.

The share prices of an FEL share trading on ASX over the past three months to 13 July 2017 has been between 2.0 cents and 2.8 cents with a last sale on 13 July 2017 of 2.8 cents.

We note that the market has been informed of all of the current projects, joint ventures and farm in/farm out arrangements entered into between FEL and other parties. We also note it is not the present intention of the directors of FEL to liquidate the Company and therefore any theoretical value based upon wind up value or even net book values (as adjusted), is just that, theoretical. The shareholders, existing and future, must acquire shares in FEL based on the market perceptions of what the market considers a FEL share to be worth. The market has either generally valued the vast majority of junior/mid-size mineral exploration and development companies at significant discounts or premiums to appraised technical values and this has been the case for a number of years although we also note that there is an orderly market for FEL shares and the market is kept fully informed of the activities of FEL.

Range of Consideration

	Low $	Mid $	High $
25,000,000 Consideration Shares	500,000	600,000	700,000
Deposit	50,000	50,000	50,000
Deferred cash	75,000	75,000	75,000
Total share and cash consideration	**625,000**	**725,000**	**825,000**

Furthermore, CFE's obligation to spend US$7,500,000 on the Kasombo Project as part of the Paragon JV Agreement as noted in paragraph 1.5 above is assumed by FEL. Based on a range of AUS/US exchange rates, the expenditure commitment assumed by FEL may fall in the range of AUS$9,146,000 (AUS$1=US$0.82) to AUS$10,416,000 (AUS$1=US$0.72) and using the AUS/US$ exchange rate of 11 September 2017, AUS$9,326,000 (AUS$1=US$0.805).

Thus, the total "Consideration" (cash, shares and saved commitments) may fall in the range as follows:

Total share and cash consideration	625,000	725,000	825,000
Assumed commitments on exploration	9,146,000	9,326,000	10,416,000
Total Deemed "Consideration"	**9,771,000**	**10,051,000**	**11,241,000**

FEL has also agreed to assume responsibility for the following advisory fees:

- in the event that production is achieved at the Kasombo Project prior to production at CFE's Kipushi Project, then FEL will issue Pelesa 25,000,000 Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days) of receiving FEL Shareholder approval if required (or if productions is achieved after production at the Kipushi Project, then the 25,000,0000 shares will be issued to CFE);

- in the event production is achieved at the Kasombo Project prior to production at CFE's Kipushi Project the FEL will make a US$75,000 payment to Pelesa; and

- the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project.

6. Basis of Valuation of a 50% interest in the Kasombo Project (excludes Kipushi Project)

6.1 In considering the proposal to allow the assignment of CFE's interest on the Kasombo Project to FEL, we have sought to determine if the consideration payable by FEL is fair and reasonable to the existing non-associated shareholders of CFE.

6.2 The proposal to allow the assignment of CFE's 50% interest on the Kasombo Project to FEL would be fair to the existing non-associated shareholders if the value of the consideration being offered by FEL is greater than or equal to the value of CFE's 50% interest on the Kasombo Project. Accordingly, we have sought to determine a theoretical value that could reasonably be placed on CFE's 50% interest for the purposes of this report.

6.3 Thus it is necessary to ascribe a value to the Kasombo Project (in effect the right to explore and exploit the mineral interests of Kasombo blocks 5, 6 and 7 covered by mining leases PE481 and PE4886 ("Mining Blocks")). We, in conjunction with CFE, have commissioned Maynard to prepare a valuation report of the Kasombo Project and in particular, a 50% interest in the Kasombo Project.

The Maynard Valuation Report should be read in its entirety and a full copy of the Maynard Valuation Report is attached as Appendix B to this report. The Maynard Valuation Report ascribes a range of values to the Kasombo Project and for the purposes of our report we have used the low, high and preferred range valuations referred to in the Maynard Valuation Report.

6.4 We have used and relied on the Maynard Valuation Report on the Kasombo Project, and have satisfied ourselves that:

- Maynard is a suitably qualified geological consulting firm and has relevant experience in assessing the merits of gold and base metal projects and preparing mineral asset valuations (also the authors of the report, Al Maynard and Brian Varndell are suitably qualified and experienced);
- Maynard is sufficiently independent from CFE and FEL; and
- Maynard has employed sound and recognised methodologies in the preparation of the valuation report on the Kasombo Project (excludes the Kipushi Project and the Kipushi Processing Plant).

6.5 Maynard has provided a range of market values of the Kasombo Project as follows:

	Low	**Preferred**	**High**
	$	**$**	**$**
100% interest in the Kasombo Project Mining Blocks	23,300,000	25,900,000	28,5000,000

The effective interest in the Mining Blocks of the Kasombo Project by FEL (currently CFE) will be 50% **and thus a 50% interest in the Kasombo Project from CFE's point of view after rounding lies in the range of $11,650,000 to $14,200,000 with a preferred fair value of $12,900,000.**

7 Conclusion as to Fairness on the proposal relating to the Assignment Transaction

7.1 The proposal for FEL to acquire CFE's obligations under the Paragon JV Agreement as it relates to the Kasombo Project (effectively to spend US$7,500,000) for the Consideration noted is believed fair to CFE's non-associated shareholders if the value of the consideration offered is equal to or greater than the value of a 50% interest in the Kasombo Project. Due to the nature of the mineral exploration business, valuations are dependent upon the value placed on the Mining Blocks. The valuation of mineral interests and valuing future profitability and cash flows is extremely subjective as it involves assumptions regarding future events that are not capable of independent substantiation.

.

7.2 Given the Consideration receivable in the range of $9,771,000 to $11,241,000 (preferred value $10,051,000) is less than the assessed fair value of a 50% interest in the Kasombo Project and the Paragon JV Agreement (as noted above), the Assignment Transaction can be considered to be not fair to the non-associated shareholders of CFE.

7.3 **Based on the reasons outlined in 7.2 above, the proposed Assignment Transaction as outlined in Resolution 1 to the Notice is considered on balance to be not fair to the non -associated shareholders of CFE.**

8. Reasonableness of the proposals in relation to Resolution 1 being the proposed Assignment Transaction

8.1 We set out below some of the advantages and disadvantages and other factors pertaining to the proposed Assignment Transaction with FEL.

Advantages

8.2 FEL will assume the obligations and responsibility currently with CFE to spend US$7,500,000 in relation to the Kasombo Project (as envisaged under the Paragon JV Agreement) and thus CFE will save cash funds (currently CFE does not have sufficient funds to meet the US$15,000,000 in relation to the Kipushi Project and the Kasombo Project). CFE will need to raise funds to meet its obligations in relation to the Kipushi Project of US$7,500,000 but will not need to raise funds in relation to the US$7,500,000 commitment in relation to the Kasombo Project. This is a significant saving in future cash outlay for CFE and CFE wishes to concentrate on advancing other existing projects (particularly spend on the Kipushi Project and upgrading the Kipushi Processing Plant) and seek new opportunities to create shareholder value.

8.3 FEL has also agreed to assume responsibility for the following advisory fees:

- in the event that production is achieved at the Kasombo Project prior to production at CFE's Kipushi Project, then FEL will issue Pelesa 25,000,000 Shares within 5 Business Days of achieving production at the Kasombo Project (or within 5 Business Days of receiving FEL Shareholder approval if required (or if productions is achieved after production at the Kipushi Project, then the 25,000,0000 shares will be issued to CFE);

- in the event production is achieved at the Kasombo Project prior to production at CFE's Kipushi Project the FEL will make a US$75,000 payment to Pelesa; and

- the grant by FEL to Pelesa of a 1% royalty on all of FEL's attributable production from the Kasombo Project.

This will avoid CFE having to issue 25,000,000 shares to Pelesa on production if the Kasombo Project achieves production before the Kipushi Project, however CFE is still obligated to issue 50,000,000 shares to Pelesa if the Kipushi Project achieves production prior to the Kasombo Project, but will subsequently receive 25,000,000 FEL shares when the Kasombo Project achieves production.

8.4 Notwithstanding that the current valuation makes the Assignment Transaction not fair, CFE is still exposed to the Kasombo Project (if the Kasombo Project proceeds to production- that cannot be assured or guaranteed) in that it is and will remain a substantial shareholder in FEL (refer paragraph 2.3 above) (may dilute on any capital raising by FEL). CFE currently has a 41.47% interest in FEL and after the Assignment Transaction but before any capital raising by FEL, CFE will have a 44.66% shareholding interest in FEL. In addition, CFE may receive a further 25,000,000 shares in FEL as noted in paragraph 8.3 above. The share price of an FEL share would probably increase in value in the event of the Kasombo Project entering into production.

Disadvantages

8.5 The Company would lose any future direct benefit of an increase in the market value of the Kasombo Project under the Paragon JV Agreement (being assigned to FEL) due to positive performance/results or increased market sentiment or otherwise. However, it is noted that indirectly there would be an upside as CFE would have increased its shareholding in FEL from approximately 41.47% to approximately 44.66% after completion of the Assignment Transaction but before FEL raises new capital to finance its spending obligations pertaining to the Kasombo Project.

8.6 Should the Assignment Transaction be completed, there is no guarantee that the Directors of CFE will be able to source a new project for CFE or significantly recapitalise the existing Company, although it is committed to raise funds to finance the US$7,500,000 in regards to the Kipushi Project. As noted above, CFE is in negotiations to enter into an Offtake Agreement that will allow it to commercialise the Kipushi Project and spend funds to refurbish the Kipushi Processing Plant.

8.7 The Assignment Transaction as noted above is considered to be not fair.

Other Factors

8.8 CFE still needs to obtain funding for the Kipushi Plant upgrade and in relation to commercialising the Kipushi Project. Thus, CFE's issued capital may need to be substantially increased in 2017/2018. FEL is also in a similar position, as it will need to raise sufficient equity to fund the US$7,500,000 that it is assuming from CFE as noted above.

9. Conclusion as to Reasonableness

9.1 **In our opinion, in the absence of a superior proposal and after taking into account the factors noted elsewhere in this report including the factors (positive, negative and other factors) noted in section 8 of this report, the Assignment Transaction proposal as outlined above and Resolution 1 is considered to be reasonable to those shareholders not associated with FEL (and their Associates) at the date of this report).**

10. Shareholder Decision

10.1 Stantons International Securities Pty Ltd has been engaged to prepare an independent expert's report setting out whether in its opinion the proposals as outlines in Resolution 1 and as more fully described in the ES are fair and reasonable and state reasons for that opinion. Stantons International Securities Pty Ltd has not been engaged to provide a recommendation to shareholders in relation to the proposals under Resolution 1. The responsibility for such a voting recommendation lies with the independent directors of CFE.

10.2 In any event, the decision whether to accept or reject Resolution 1 is a matter for individual shareholders based on each shareholder's views as to value, their expectations about future market conditions and their particular circumstances, including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. If in any doubt as to the action they should take in relation to the proposal under Resolution 1 shareholders should consult their own professional adviser.

10.3 Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell shares in CFE. This is an investment decision upon which Stantons International Securities Pty Ltd does not offer an opinion and is independent on whether to accept the proposal under Resolution 1. Shareholders should consult their own professional adviser in this regard.

11. Sources of Information

11.1 In making our assessment as to whether the proposal to effect the Assignment Transaction with FEL is fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company, FEL and their asset that is relevant to the current circumstances. In addition, we have held discussions with the management/directors of CFE about the present and future operations of the Company. Statements and opinions contained in this report are given in good faith but in the preparation of this report, we have relied in part on information provided by the directors of CFE.

11.2 Information we have received includes, but is not limited to:

- Draft Notices and Explanatory Statement to Shareholders of CFE prepared to 18 September 2017;
- Discussions with a director and management of CFE;
- Details of historical market trading of FEL ordinary fully paid shares recorded by ASX to 18 September 2017;
- Shareholding details of CFE and FEL as at 1 September 2017;
- Announcements made by CFE and FEL from 1 January 2016 to 18 September 2017;
- Reviewed financial accounts of CFE and FEL for the half year ended 31 December 2016;
- Unaudited financial accounts of CFE and FEL Group for the nine months ended 31 March 2017 and the year ended 30 June 2017 (audited for FEL);
- The Maynard Valuation Report on the Kasombo Project and discussions with Al Maynard and Brian Varndell;
- The Shareholders Agreement between CFE, Paragon and Soludo of July 2017;
- The Binding Term Sheet between CFE and FEL of July 2017 relating to FEL acquiring CFE's interest in the Kasombo Project;
- The agreement between CFE and Pelesa dated 16 February 2017 regarding the Advisory Fees; and
- Draft agreement between CFE and FEL updating the Binding Term Sheet.

11.3 Our report includes Appendices A and B (the Maynard Valuation Report) and our Financial Services Guide attached to this report.

Yours faithfully
STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)

John P Van Dieren - FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stantons International Securities Pty Ltd dated 18 September 2017, relating to the proposed Assignment Transaction with FEL as outlined in paragraphs 1.2 to 1.5 of the report and Resolution 1 in the Notice of Meeting to Shareholders and the ES proposed to be distributed to the CFE shareholders in September 2017 or early October 2017.

At the date of this report, Stantons International Securities Pty Ltd does not have any interest in the outcome of the proposals. There are no relationships with CFE, FEL and with Paragon other than acting as an independent expert for the purposes of this report. Before accepting the engagement Stantons International Securities Pty Ltd considered all independence issues and concluded that there were no independence issues in accepting the assignment to prepare the Independent Experts Report. There are no existing relationships between Stantons International Securities Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at a maximum of $18,000. The fee is payable regardless of the outcome. With the exception of the fee, neither Stantons International Securities Pty Ltd nor John Van Dieren or Martin Michalik have received, nor will, or may they receive, any pecuniary or other benefits, whether directly or indirectly, for or in connection with the making of this report.

Stantons International Securities Pty Ltd does not hold any securities in CFE (or FEL). There are no pecuniary or other interests of Stantons International Securities Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stantons International Securities Pty Ltd, John Van Dieren and Martin Michalik have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stantons International Securities Pty Ltd is the holder of an Australian Financial Services Licence (no 448697) under the Corporations Act 2001 relating to advice and reporting on mergers, takeovers and acquisitions that involve securities. The directors of Stantons International Audit and Consulting Pty Ltd are the directors of Stantons International Securities Pty Ltd. Stantons International Securities Pty Ltd has extensive experience in providing advice pertaining to mergers, acquisitions and strategic for both listed and unlisted companies and businesses.

Mr John Van Dieren FCA and Mr Martin Michalik (ACA), the persons responsible for the preparation of this report, have extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered.

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the task they have performed.

D ECLARATION

This report has been prepared at the request of the Directors of CFE in order to assist them to assess the merits of the proposed Assignment Transaction as outlined in Resolution 1 to the ES to which this report relates. This report has been prepared for the benefit of CFE's shareholders and does not provide a general expression of Stantons International Securities Pty Ltd opinion as to the long- term value of CFE, FEL, their subsidiaries and their assets (including the Mining Leases relating to the Kasombo Project, the Kipushi Processing Plant and the Kipushi Project). Stantons International Securities Pty Ltd does not imply, and it should not be construed, that is has carried out any form of audit on the accounting or other records of the CFE and FEL Groups. Neither the whole nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stantons International Securities Pty Ltd to the form and context in which it appears.

DUE CARE AND DILEGENCE

This report has been prepared by Stantons International Securities Pty Ltd with due care and diligence. The report is to assist shareholders in determining the fairness and reasonableness of the proposal set out in Resolution 1 to the Notice and each individual shareholder may make up their own opinion as to whether to vote for or against Resolution 1.

DECLARATION AND INDEMNITY

Recognising that Stantons International Securities Pty Ltd may rely on information provided by CFE and its officers (save whether it would not be reasonable to rely on the information having regard to Stantons International Securities Pty Ltd experience and qualifications), CFE has agreed:

(a) To make no claim by it or its officers against Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) to recover any loss or damage which CFE may suffer as a result of reasonable reliance by Stantons International Securities Pty Ltd on the information provided by CFE; and

(b) To indemnify Stantons International Securities Pty Ltd (and Stantons International Audit and Consulting Pty Ltd) against any claim arising (wholly or in part) from CFE or any of its officers providing Stantons International Securities Pty Ltd any false or misleading information or in the failure of CFE or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stantons International Securities Pty Ltd.

A draft of this report was presented to CFE directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.

FINANCIAL SERVICES GUIDE
FOR STANTONS INTERNATIONAL SECURITIES PTY LTD
(Trading as Stantons International Securities)
Dated 18 September 2017

1. Stantons International Securities ABN 42 128 908 289 and Financial Services Licence 448697 ("SIS" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. **Financial Services Guide**

In the above circumstances, we are required to issue to you, as a retail client a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licenses.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No: 448697;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. **Financial services we are licensed to provide**

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities (such as shares, options and notes)

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. **General Financial Product Advice**

In our report, we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. **Benefits that we may receive**

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SIS, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. **Remuneration or other benefits received by our employees**

SIS has no employees and Stantons International Audit and Consulting Pty Ltd charges a fee to SIS. All Stantons International Audit and Consulting Pty Ltd employees receive a salary. Stantons International Audit and Consulting Pty Ltd employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. **Associations and relationships**

SIS is ultimately a wholly subsidiary of Stantons International Audit and Consulting Pty Ltd a professional advisory and accounting practice. Stantons International Audit and Consulting Pty Ltd trades as Stantons International that provides audit, corporate services, internal audit, probity, management consulting, accounting and IT audits.

From time to time, SIS and Stantons International Audit and Consulting Pty Ltd and/or their related entities may provide professional services, including audit, accounting and financial advisory services, to financial product issuers in the ordinary course of its business.

9. **Complaints resolution**

9.1 Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stantons International Securities
Level 2
1 Walker Avenue
WEST PERTH WA 6005

When we receive a written complaint, we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service Limited ("FOSL"). FOSL is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOSL are available at the FOSL website www.fos.org.au or by contacting them directly via the details set out below.

Financial Ombudsman Service Limited
PO Box 3
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399

10. Contact details

You may contact us using the details set out above.

Telephone 08 9481 3188
Fax 08 9321 1204
Email jvdieren@stantons.com.au

APPENDIX B

MAYNARD VALUATION REPORT ON THE MINERAL LEASES PERTAINING TO THE KASOMBO COPPER-COBALT PROJECT

AL MAYNARD & ASSOCIATES Pty Ltd
Consulting Geologists

www.geological.com.au ***ABN 75 120 492 435***

9/280 Hay Street,	***Tel: (+618) 9388 1000***	***Mob: 04 0304 9449***
SUBIACO, WA, 6008	***Fax: (+618) 9388 1768***	***al@geological.com.au***
Australia		

Australian & International Exploration & Evaluation of Mineral Properties

INDEPENDENT TECHNICAL VALUATION

OF THE

CAPE LAMBERT RESOURCES LIMITED KASOMBO PROJECT

IN

THE DEMOCRATIC REPUBLIC OF CONGO

PREPARED FOR

STANTONS INTERNATIONAL SECURITIES PTY LTD

Author:	Brian J. Varndell, BSc(Spec.Hons.), FAusIMM.
Peer Review:	Allen J Maynard BAppSc(Geol), MAIG, MAusIMM
Company;	Al Maynard & Associates Pty Ltd
Date:	21st August, 2017
Updated:	11th September, 2017

EXECUTIVE SUMMARY

This Independent Technical Valuation Report (“ITV”) of the Cape Lambert Resources Limited (“CFE”) Kasombo mining project in the Democratic Republic of Congo (“DRC”) has been prepared by Al Maynard & Associates (“AM&A”) at the request of Mr John van Dieren, FCA (Director) of Stantons International Securities Pty Ltd (“SIS”) for inclusion in their Independent Expert’s Report (“IER”).

The Kasombo Project comprises three separate blocks within two granted mining licenses, PE 4886 and a portion of PE481 that cover 6 km^2 in the DRC some 24 km from Lubumbashi in the Katanga Copperbelt that is well known to contain copper and cobalt mineralisation (Figure 1).

This report provides an independent technical valuation of the project as at 21st August, 2017. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2015) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”).

CFE is a company on the Official List of Australian Securities Exchange Limited (“ASX”). Its principal business is involved in mineral exploration. CFE owns 50% of the Kasombo Project via a 50/50 Joint Venture (“JV”) arrangement with Paragon Mining SARL (“Paragon”), a Congolese entity. At the Kasombo project there is currently no geological map available of the area so no resource estimates can yet be attempted. There are artisanal workings and two non-operating nearby open pits that confirm the presence of copper/cobalt mineralisation at the project, however extensive successful exploration is required before JORC Code (2012) compliant resources estimates can be undertaken.

Given the relevance of the key Joint Venture (“JV”) assumptions and factors underlying the prospectivity and conceptual future for resources at the project AM&A has concluded that it is reasonable to rely on this limited data for the purposes of this report and the derivation of a current valuation accordingly based on that information. AM&A has relied on the technical data supplied by CFE and accepted that data in reaching our conclusions, unless AM&A expressly states otherwise.

The summary of the valuation conclusions is presented in Table 4. This current valuation has only used the JV Method applied to the tenement package since there is insufficient data to use any other method for comparison. Accordingly the JV method was selected as the most appropriate method for valuation estimate purposes.

The rounded CFE JV commitment to the Kasombo Project in the DRC is ascribed a value at $12.9 M from within the range $11.65 M to $14.2 M.

Accordingly the 100% value of the CFE/Paragon Kasombo JV is ascribed a value $25.9 M from within the range $23.3 M to $28.5 M.

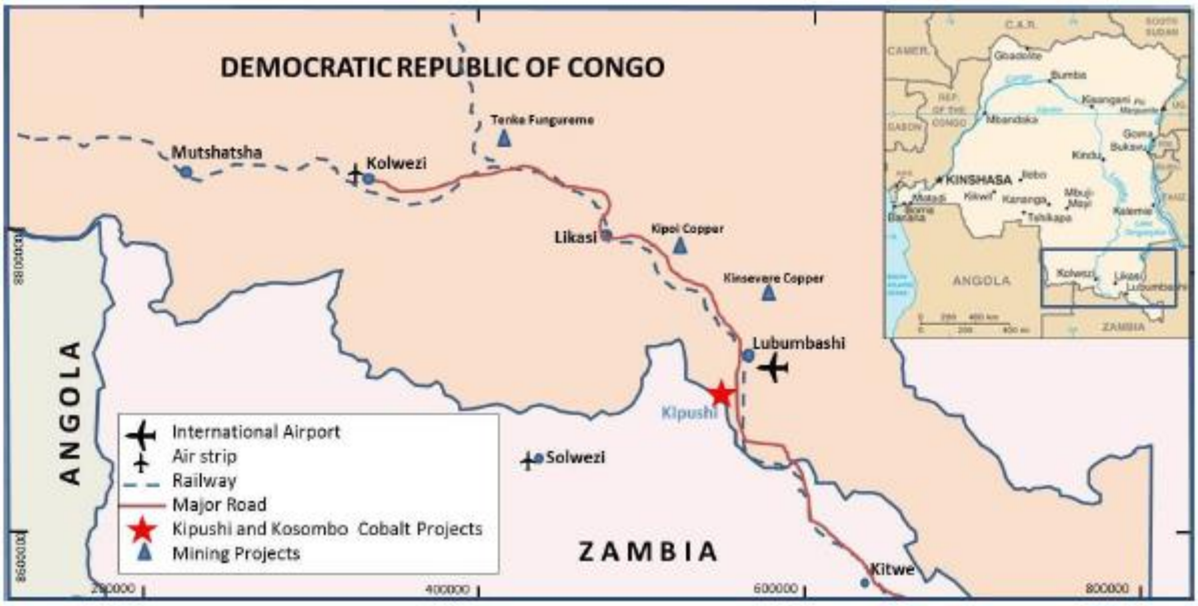

Figure 1: CFE Kasombo Project DRC Location Plan.

CONTENTS PAGE

List of Figures

List of Tables

The Directors, 21st August 2017
Stantons International Securities Pty Ltd
Level 2, 1 Walker Avenue,
West Perth, WA 6005.
Australia

Dear Sirs,

VALUATION OF THE CFE PROJECTS IN WESTERN AUSTRALIA AND THE DRC

1.0 Introduction

This Independent Technical Valuation Report ("ITV") of the Cape Lambert Resources Limited ("CFE") Kasombo mining project in the Democratic Republic of Congo ("DRC", has been prepared by Al Maynard & Associates ("AM&A") at the request of Mr John van Dieren, FCA (Director) of Stantons International Securities Pty Ltd ("SIS") for inclusion in their Independent Expert's Report ("IER").

The Kasombo Project comprises three separate blocks within two granted mining licenses, PE 4886 and a portion of PE481 that cover 6 km^2 in the DRC some 24 km from Lubumbashi in the Katanga Copperbelt that is well known to contain copper and cobalt mineralisation (Figure 1).

This report provides an independent technical valuation of the project as at 21st August, 2017. The AM&A report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert's Reports (the "Valmin Code") (2015) as adopted by the Australian Institute of Geoscientists ("AIG") and the Australasian Institute of Mining and Metallurgy ("AusIMM").

The directors of CFE engaged SIS to prepare an IER on whether it is fair and reasonable to the CFE shareholders relating to CFE assigning its rights to its 50% share in the Kasombo Copper-Cobalt Project ("Kasombo Project") in the DRC to FE Limited ("FEL") that will be referred to in the Notice of Meeting of Shareholders ('Notice") and the Explanatory Memorandum ("EM") attached to the Notice to be forwarded to shareholders in September 2017 or October 2017. The IER contains a full description of the various JV arrangements that are applicable to the three block tenement package.

The Sale Consideration payable by FEL to CFE will be the issue of a total of 25 M shares ("Consideration Shares") to CFE along with a US$50,000 advance payment as a contribution for the reimbursement of exploration expenses and the reimbursement of up to US$75,000 of reimbursable exploration expenses payable (to CFE) three months after settlement date relating to the consideration to acquire CFE's rights to the Kasombo Project in the JV. Furthermore, FEL assumes the obligations and commitments that CFE has pursuant to JV agreement it has with Paragon Mining SARL ("Paragon") a Congolese entity.

CFE is a company listed on the Official List of Australian Securities Exchange Limited ("ASX") (ASX:CFE). Its principal business is involved in mineral exploration. CFE, on 13 July 2017 announced that it had entered into an agreement to assign it's 50% share in the Kasombo Project in the DRC to FEL. The other 50% of the Kasombo Project is held by Paragon.

CFE, on or around 17 May 2017 finalised a JV agreement with Paragon with the objectives, amongst others, to:

- Undertake the exploration activities at the Kasombo Project;
- Complete a Feasibility Study on the Kasombo Project; and
- To commence mining activities at the Kasombo Project within two years.

This has been updated via a Shareholders Agreement dated 6th July 2017 between CFE, Paragon and Soludo Lambert Mining SAS ("SLM") where SLM is the corporate vehicle that CFE and

Paragon will use to operate the JV and will, subject to meeting certain conditions, own the Kipushi Processing Plant, the Kipushi Tailings Project and have rights to the Kasombo Project located on mining licences, PE481 and PE4886. The Kipushi Processing Plant and Kipushi Tailings Project are not part of the Sale Transaction proposal between CFE and FEL.

Once conditions are met, SLM will have an effective 100% interest in the Kipushi Processing Plant, 80% interest in the Kipushi Tailings Project and a 100% interest in the three blocks Kasombo 5, 6 and 7 that comprise the Kasombo Project.

In regards to the Kasombo Project, CFE is responsible for:

- funding 100% of the costs to complete the exploration and development activities, and upgrade the Kipushi Processing Plant, to effectively process tailings from the Kipushi Tailings Project. Any funding in excess of US$7,500,000 will be advanced to the Kipushi Project as a loan (to SLM), repayable from future project revenues;

- funding 100% of the costs to US$7,500,000 to complete the exploration and feasibility study in respect of the Kasombo Project. Any funding in excess of US$7,500,000 will be advanced as a loan to SLM;

- providing all necessary technical resources to enable the exploration and mining activities to be conducted to acceptable mining standard and in accordance with an agreed budget; and

- securing on behalf of the Kasombo Project, 100% of the funds to commence mining, upgrade the Kipushi Processing Plant as needed, and to also conclude any joint venture obligations with La Generale Des Carriers Et Des Mines (“Gecamines”), a DRC state owned mining company.

The total Equity Contribution of CFE (via funding SLM) is to be US$15,000,000 (the two lots of US$7,500,000 referred to above). Should the actual funding under one of the above be less than US$7,500,000, then the difference between the actual spend and US$7,500,000 shall be added to the US$7,500,000 to the other funding obligation or used for other purposes as directed by the Board (of SLM), such as accelerating Mining Activities (as defined) at the Kasombo Project.

Gecamines actually holds the three mineralised zones of ~6 km^2, Kasombo 5, 6 and 7, located within the two granted mining licences PE 481 and PE 4886. On 24 March 2017, Paragon executed a contract with Gecamines to undertake exploration and research work at the Kasombo Project.

The Kipushi Processing Plant is currently owned by Paragon and shall remain the property of Paragon until CFE satisfies its Equity Contributions. Since the Kipushi Processing Plant is not part of the proposal between CFE and FEL, a suitable business arrangement would first be required between SLM and FEL before any further upgrades were undertaken by FEL to process ore from a future Kasombo mining operation.

The terms of the CFE assignment with FEL involve exploration and drilling of potential copper/cobalt deposits to a pre-feasibility study level and a decision to mine for the total consideration of US$ 200,000 cash and 60 M shares, with a 1% royalty on any attributable production to a third party.

This report provides an independent technical valuation of the CFE projects as at 21st August 2017. The report has been prepared in accordance with the guidelines of the Valuation of Mineral Assets and Mineral Securities for Independent Expert’s Reports (the “Valmin Code”) (2015) as adopted by the Australian Institute of Geoscientists (“AIG”) and the Australasian Institute of Mining and Metallurgy (“AusIMM”) and specifically :-

- ASIC Regulatory Guideline 111 – Content of expert’s Reports (“RG 111”)
- ASIC Regulatory Guideline 112 – Independence of Experts (“RG 112”); and

- AusIMM's Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("the ValMin Code").

The assets valued in this report are the three blocks in the DRC.

1.1 Scope and Limitations

This Report is valid as of 21st August 2017 which is the date of the latest review of the data and technical information and there have been no material changes to this data or valuation since that date. The valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the mineral assets concerned or by other explorers on prospects in the near environs. The valuation could also possibly be affected by the consideration of other exploration data from adjacent licences with production history affecting the mineral assets which have not been made available to the writers.

In order to form an opinion as to the value of any mineral asset, it is necessary to make assumptions as to the potential of ongoing exploration based upon the current geological setting and results. The writers have taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writers' technical training and over 40 years' experience in the exploration and mining industry. Whilst the opinions expressed represent the writers' professional opinion at the time of this Report, these opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral asset.

The information presented in this Report is based on technical reports provided by CFE supplemented by our own inquiries as to the reasonableness of the supplied data. At the request of AM&A, copies of relevant technical reports and agreements were readily made available. There is also information available in the public domain and relevant references are listed in Section 6.0 – References. No site visit was undertaken since the writers are familiar with the terrane from visits to other similar environs nearby in Zambia and technical information has been sighted to enable an informed opinion to be derived.

CFE will be invoiced and expected to pay a fee, estimated to be $6,000 for the preparation of this Report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent on the results of this report. Except for these fees, neither the writer nor any family members nor Associates have any interest, nor the rights to any interest in CFE nor any interest in the mineral assets reported upon. CFE has confirmed in writing that all technical data known to it was made available to the writer. The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fees have been paid in full.

The valuation presented in this Report is restricted to a statement of the fair value of the mineral asset package. The Valmin Code defines fair value as "The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms' length transaction, wherein each party had acted knowledgeably, prudently and without compulsion".

It should be noted that in all cases, the fair valuation of the mineral assets presented is analogous with the concept of "valuation in use" commonly applied to other commercial valuations. This concept holds that the assets have a particular value only in the context of the usual business of the company as a going concern which is mineral exploration and development in this case. This value will invariably be significantly higher than the disposal value, where there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the "Range of Values" as shown in Table 4, Section 5.2. Regarding the Project, it is considered that sufficient regional geotechnical data has been sighted covering the district that aids an understanding of the geology. This provides adequate information to enable an informed opinion as to the current value of the mineral potential. A site visit was not undertaken since the authors are familiar with the terrane type from visits to other similar nearby environs over previous years for other clients in Zambia.

1.2 Statement of Competence

This Report has been prepared by Allen J. Maynard and Brian J. Varndell. Maynard is the Principal of AM&A, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") (No 104986) and a Member of the Australian Institute of Geoscientists ("AIG" #2062). He has had over 35 years of continuous experience in mineral exploration and evaluation and more than 30 years' experience in mineral asset valuation. Brian J. Varndell BSc (SpecHonsGeol), FAusIMM (No111022), is a geologist with over 40 years in the industry and 35 years in mineral asset valuation. The writers each hold the appropriate qualifications, experience and independence to qualify as an independent "Expert" or "Specialist" and "Competent Person" under the definitions of the Valmin and JORC Codes.

2.0 Valuation of the Mineral Assets – Methods and Guides

With due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17th February, 1995 – the Valmin Code (updated 1999 & 2015), AM&A has derived the estimates listed below using the average of the JV and MEE methods for the current technical value of the mineral assets.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a "fair value". This is a value that an informed, willing, but not anxious, arms' length purchaser will pay for a mineral (or other similar) asset in a transaction devoid of "forced sale" circumstances.

2.1 General Valuation Methods

The Valmin Code identifies various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Joint Venture and farm-in terms for arms' length transactions,
- Precedents from similar comparable asset sales/valuations,
- Multiple of exploration expenditure,
- Ratings systems related to perceived prospectivity,
- Real estate value and rule of thumb or yardstick approach.

2.2 Discounted Cash Flow/Net Present Value

This method provides an indication of the value of a mineral asset with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

2.3 Joint Venture Terms

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the mineral asset. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots mineral assets are involved.

2.4 Similar or Comparable Transactions

When commercial transactions concerning mineral assets in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the mineral asset under consideration provided sufficient details and dimensions regarding the nature of the mineral asset are disclosed.

2.5 Multiple of Exploration Expenditure

The multiple of exploration expenditure method (‘MEE’) is used whereby a subjective factor (also called the prospectivity enhancement multiplier or ‘PEM’) is based on previous expenditure on a mineral asset with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that take into account the valuer's judgment of the prospectivity of the mineral asset and the value of the database. PEMs can typically range between ‘zero’ to 3.0 and occasionally up to 5.0 where very favourable exploration results have been achieved, applied to previous exploration expenditure to derive a dollar value. Typical PEM Factors are shown in Table 1.

PEM Range	Criteria
0.1 – 0.5	Exploration (past and present) has downgraded the tenement prospectivity, no mineralisation identified
0.5 – 1.0	Exploration potential has been maintained (rather than enhanced) by past and present activity from regional mapping
1.0 – 1.3	Exploration has maintained, or slightly enhanced (but not downgraded) the prospectivity
1.3 – 1.5	Exploration has considerably increased the prospectivity (geological mapping, geochemical or geophysical)
1.5 – 2.0	Scout Drilling has identified interesting intersections of mineralisation
2.0 – 2.5	Detailed Drilling has defined targets with potential economic interest.
2.5 – 3.0	A resource has been defined at Inferred Resource Status, no feasibility study has been completed
3.0 – 4.0	Indicated Resources have been identified that are likely to form the basis of a prefeasibility study
4.0 – 5.0	Indicated and Measured Resources

Table 1: Typical PEM Factors.

2.6 Ratings System of Prospectivity (Kilburn)

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost (‘BAC’) of the mineral asset that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the mineral asset. The factors are then applied serially to the BAC of each mineral asset in order to derive a value for the mineral asset. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

2.7 Empirical Methods (Yardstick – Real Estate)

The market value determinations may be made according to the independent expert’s knowledge of the particular mineral asset. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration mineral asset based on current market prices for equivalent assets, existing or previous joint venture and sale agreements, the geological potential of the mineral assets, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation.

This method is termed a “Yardstick” or a “Real Estate” approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

When comparable transactions can be related by mineral asset quantity (oz for precious metals and tonnes for base metals) an in-ground unit value at a particular commodity at a specific price/date can be determined and used for comparison.

2.8 General Comments

The aims of the various methods are to provide an independent opinion of a “fair value” for the mineral asset under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the mineral asset valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where no known resource exists and are not applicable to mineral assets without an identified resource or reserve.

The values derived for this Report have been concluded after taking into account the general geological environment for the mineral assets under consideration with respect to the exploration potential of each tenement.

2.9 Environmental implications

Information to date is that there are no identified existing material environmental liabilities on the mineral assets. Accordingly, no adjustment was made during this Report for environmental implications.

2.10 Indigenous Title Claims

Native Title style claims over the project area have not been indicated to AM&A.

2.11 Commodities-Metal prices

Where appropriate, current metal prices are used sourced from the usual metal market publications or commodity price reviews (e.g.” Kitco.com” or “Alibaba”).

2.12 Resource/Reserve Summary

There are no JORC Code (2012) compliant resource estimates declared for the Project.

2.13 Previous Valuations

No previous valuation of the tenement package are known to the authors.

2.14 Encumbrances/Royalty

The Projects may be subject to government royalties as stipulated by the Government where currently applicable.

No royalty payments are considered in this valuation as no mining is yet occurring.

3.0 Background Information

3.1 Introduction

This valuation has been provided by way of a detailed study of the limited existing information and field data available to CFE regarding operations completed at the project to date. No JORC Code (2012) compliant Resource estimates have been undertaken for any mineral deposits yet for the Kasombo Project in the DRC. Exploration target potential has also not been considered at any of the three blocks. AM&A accordingly accepts that the main over-riding method for valuation purposes is the Joint Venture arrangements themselves.

The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.

3.2 Specific Valuation Methods

There are various methods acceptable for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Proved & Probable Reserves to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed above in Section 2.0.

For the CFE project the JV method has been to determine a value with a ±10% range as at 21st August, 2017 and a preferred or most likely value ascribed within that range.

3.3 Tenement Holding

CFE, via its JV agreement with Paragon, holds rights to all minerals on three separate blocks within two granted mining licenses, PE 4886 and a portion of PE481 within the DRC. The Company provided the full tenement details to AM&A, along with all Joint Venture information, who verified this information using website searches. The total surface area of the tenements is 6.0 km^2.

The general configuration of the blocks held by CFE are presented in Figures 2 and 3.

The Kasombo blocks 5, 6 and 7 through PE 481 and 4886 are valid until 3rd April, 2024 and 13th December, 2024 respectively.

4.0 Democratic Republic of Congo

4.1 Introduction

The Kasombo Project comprises three separate blocks within two granted mining licenses, PE 4886 and a portion of PE481 (Figure 2). All deposits are within 3-5 km of the Kipushi Processing Plant which will undergo upgrading. The proposed deal with CFE will involve CFE assigning its rights to the Kasombo Project, which is located in the Katanga Copper Belt of the DRC and the location of some of the world's largest and highest grade copper and cobalt deposits.

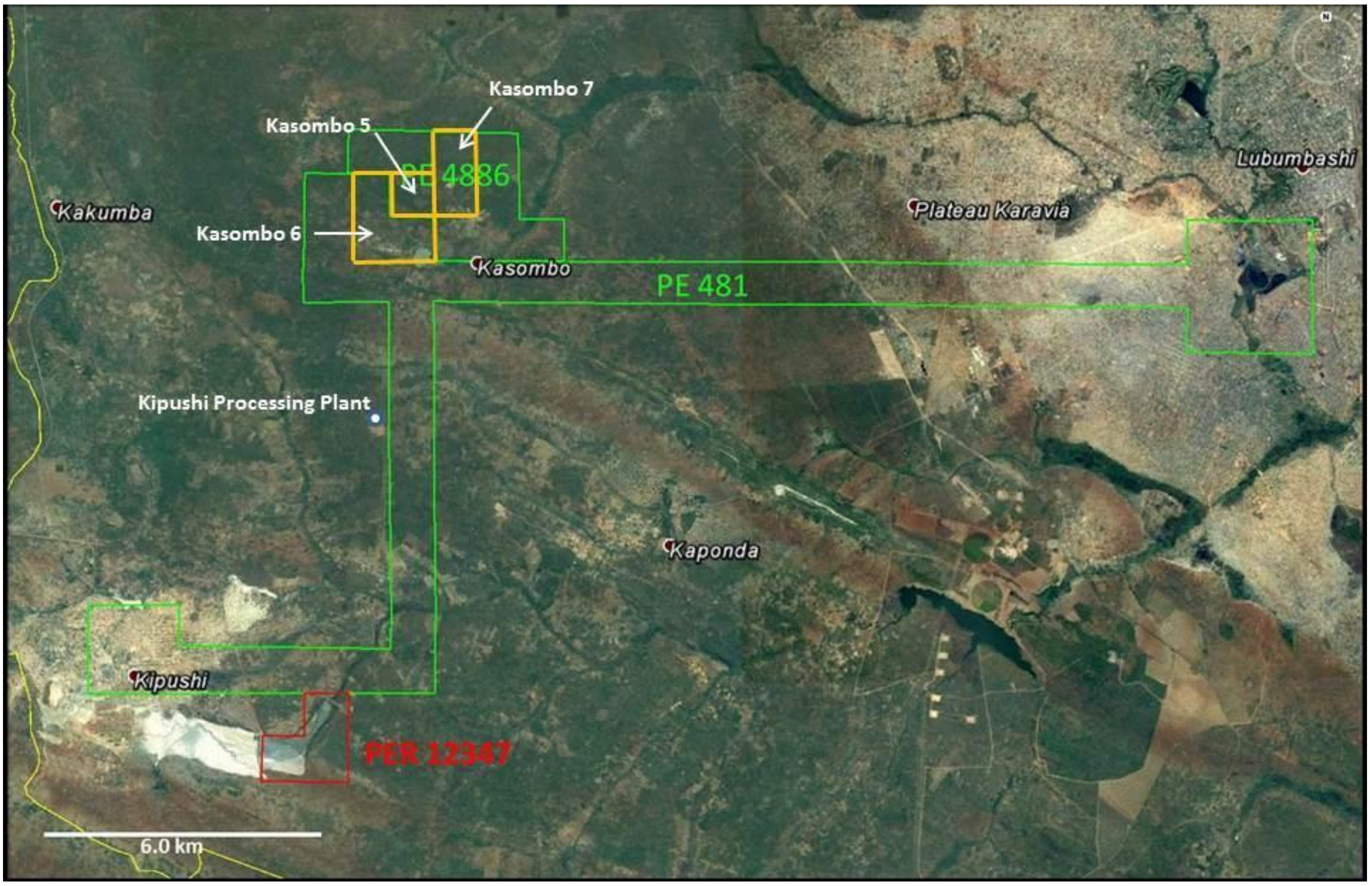

Figure 2: Kipushi Tailings and Kasombo Cu/Co Projects Location in Google Image

The project area is approximately 24 km from the second largest DRC city, Lubumbashi, that is accessed by a well maintained sealed road (Figure 1). The project benefits from excellent, established infrastructure since Lubumbashi is the main service centre for the cobalt and copper mining industry in the Haut-Katanga Province.

The nearby Kipushi tailings are located on granted mining license PER 12347 and the Kipushi Processing Plant is located some 8 km north by road from the tailings area.

The ground covered by the Kasombo Project blocks 5, 6 and 7 is shown in Figure 3. There are two historic open cut mines now both filled with water that fall within the permit. The southern-most pit forms part of a river system that continually flows into and through the pit. The remainder of the area is relatively undisturbed by organised mining although artisanal mining occurs at various locations within the permit area predominantly for cobalt and copper mineralisation. Main target commodities include cobalt, copper and zinc that occur in abundance within the permit area.

No technical data has been provided as yet on the area to help with a basic understanding of rock types, structures, previously identified areas of mineralisation, general geology, structure etc so a fundamental work proposal is based essentially on a green fields approach to be conducted in a systematic fashion.

Figure 3: Kasombo Deposit Area Tenement over Google Image.

Artisinal workings towards centre of Kasombo 7

The Kasombo Project forms part of the Kasombo Complex, a series of copper-cobalt rich deposits that have been extensively explored by State owned La Generale des Carrieres et des Mines ("Gecamines") and developed and mined by various international companies in JV with Gecamines.

An area known as Kasombo 1 was the first operation to be developed in 1995 with mining and process under a JV between Forrest International Group and Gecamines and publicly reported to have mined copper and cobalt grades of 2.7-3.7% Cu and 0.7-1.5% Co.

Kasombo 7 is located on PE 4886. Kasombo 5 and Kasombo 6 are located on PE 481, which is contiguous to and south of PE4886. Under the terms of the Paragon/CFE JV, CFE 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 by September 2019.

Pursuant to the deal between CFE and FEL, FEL will assume the CFE rights and obligations to the Kasombo Project.

CFE staff have inspected a number of the contiguous deposits including Kasombo 5 and Kasombo 13, where Gecamines have completed trenching, sampling and drilling, and artisanal miners exploit cobalt and copper mineralisation by both shallow open pit methods and underground exploitation to ~30 m (Figure 4). Production is ongoing via the sale of concentrates to local traders and processing groups. Several waste rock and low grade stockpiles within the license area were inspected by CFE. Handheld XRF sampling at artisanal open pit workings of exposed cobalt mineralisation within saprolitic rocks at the Kasombo deposits at surface and material from depths of 30 m all returned significant Cu and Co readings.

Figure 4: Artisanal diggings with Saprolite hosted Cobalt Mineralisation Zones.

4.2 Regional Geology

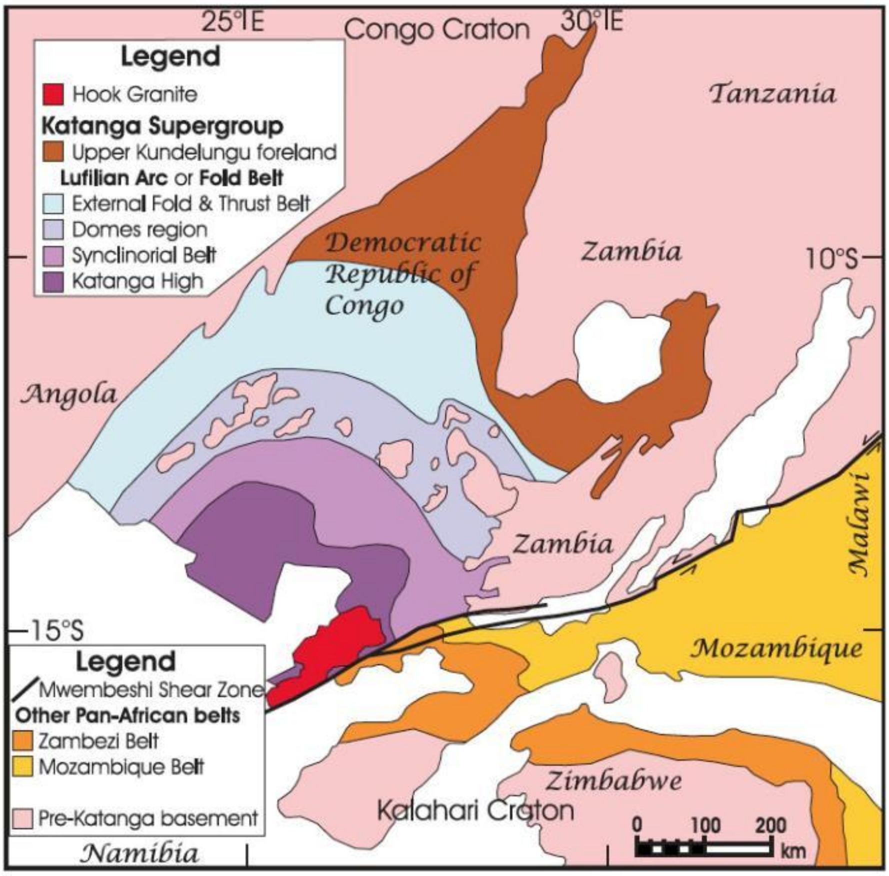

Figure 3. Structural zones of the Lufilian Arc or Fold Belt of the Central African Copperbelt relative to the upper Kundelungu Foreland Basin, the Mwembeshi Shear Zone and the coeval, high-grade Zambezi Belt (modified after Kampunzu and Cailteux 1999; Porada and Berhorst 2000; Key et al. 2001; Selley et al. 2005; Kampunzu et al. 2009).

Figure 5: Kasombo Area Regional Geology from Google Maps.

The general geology of the area is dominated by the Katanga Supergroup which is comprised of a sequence of three metasedimentary subgroups known as the Kundelungu Group, Nguba Group and the Roan Group (Figure 5). Large scale geological mapping has the permit area located predominantly within the Roan Group so anticipated lithologies are carbonaceous (dolomitic) shales and siltstones and argillaceous conglomerates, sandstones and shales.

	KAROO AND KALAHARI			
	+/- 560-550 Ma	Group	Sub-group	Lithologies
Proterozoic	KATANGA SUPERGROUP	Kundelungu Ku	Plateaux (Ku-3)	Shales and arkoses
			Kiubo (Ku-2)	Dolomitic shales, sandy shales and sandstones
			Kalule (Ku-1)	Dolomitic shales or sandy shales, pink limestones, Diamictite
		Nguba Ng	Monwezi (Ng-2)	Dolomitic shales or siltstones
			Likasi (Ng-1)	Dolomitic or sandy shales; dolostones or limestones Diamictite
		Roan R	Mwashya (R-4)	Dolomitic shales Dolostone, jaspers and pyroclastites
			Dipeta (R-3)	Interbedded dolostones argillaceous and dolomitic siltstones
			Mines (R-2)	Dolostones; dolomitic shales and siltstones
	+/- 880 Ma		R.A.T (R-1)	Argillaceous dolomitic siltstones; sandstones and pelites
	KIBARAN and/or PRE-KIBARAN basement			

Stratigraphy of Katanga. After Dewaele et al., 2006.

Table 2: Anticipated Stratigraphy in the Kasombo District.

The recent site visit by CFE staff to some artisanal workings near the central northern boundary of the permit observed a short stratigraphic profile in the side wall of an excavation. The stratigraphy appeared to be striking in a roughly northerly direction and dipping between 40-60° towards the east. Artisinal miners were hand digging sub vertical shafts down the stratigraphic layers in areas of less competent rock (presumably siltstone and shales) looking to intercept obvious oxide copper mineralisation to a depth of ~60 m. Based on this information and known mineralisation styles common to the province, the mineralisation target model is assumed to be stratiform copper/cobalt.

At the nearby Zambian Nchanga open pit (65 km NW of Kitwe and 100 km SE of Kabombo – Figure 1) micaceous ores are found in very large quantities in banded sandstones and the dolomitic schist formations above and below an upper sulphide orebody. These resources occur as a capping or inter-fingering within the normal orebodies. There are huge stockpiles of this material with additional resources still yet to be mined.

At Nchanga the basement complex has undergone a higher degree of metamorphism than the overlying Katanga sediments. The most common metamorphic minerals in the Roan Supergroup are biotite, chlorite, sericite and albite indicating Greenschist Facies metamorphism.

Group	Formation	Thickness	Orebody Type
Upper Roan	Upper Roan Dolomite (URD)	~140m	
	Shale with Grit (SWG)	~120m	
Lower Roan	Chingola Dolomite (CDOL)	~10-50m	
	Dolomitic Schist (DOLSCH)	~10-160m	
	Upper Banded Shale (UBS)	~15–40m	UOB/REF
	The Feldspathic Quartzite (TFQ)	~8 – 40m	UOB
	Banded Sandstone Upper (BSSU)	~600m	REF
	Pink Quartzite (PQ)	~6m	IOB
	Shale Marker (SM)	~2m	IOB
	Banded Sandstone Lower (BSSL)	~0-50m	REF
	Lower Banded Shale (LBS)	~0- 40m	LOB
	Arkose (ARK)	~0 -300m	LOB
	Boulder Conglomerate (BC)	~50m	
	Banded Sandstone Upper (BSSU)	~600m	REF
Basement Complex - Granite, Schists, Gneiss			

Table 3: Nchanga Zambian Copperbelt Area Stratigraphy.

The units exposed range from the Basement Complex to the Upper Roan Formation of the Katanga Supergroup where the sediments of the Katanga System lie unconformably on an eroded basement surface. The Lower Roan Group has been divided into a 60-90 m lower arkosic formation and an upper argillaceous formation, the 48 m Gritty Argillite. Similarly the Upper Roan Group has been split into a 55 m Dolomitic Argillite Formation and an overlying 72 m Dolomite Formation.

These Katanga Fm rocks are folded into westerly plunging synclines that are often overturned with axial plane that dip steeply to the north. Only minor faulting has been recorded with minor displacements.

The Basement Complex chiefly comprises porphyry, biotite gneiss, boulder conglomerate, sericite schist and possibly the quartzites to arkoses and quartz mica schist. The porphyry grades imperceptibly into granitised boulder conglomerate in places, but the two rocks are normally distinguishable. The texture of the rocks is well preserved in depth; feldspar porphyroblasts, sporadically zoned and up to 5 cm across, have weathered to a cream to light pink or yellow clay. The opal quartz grains in the unweathered rock, normally about 0.5 cm across, are generally shattered during weathering into a number of angular fragments. Small patches of dark red clay, containing minor secondary mica after biotite, occur between the quartz feldspar grains. The porphyry is often foliated roughly parallel to the axis of the folding.

The Biotite Gneiss is fine to medium grained, green to purple, igneous textured material composed of brown to green secondary micas with opal quartz grains, some chlorite and a few limonite spots. It appears to be a localised occurrence of the biotite gneiss of the type found elsewhere in the Copperbelt.

It is possible that the quartzite outcrops could belong to the Muva Supergroup or possibly be part of the Lower Roan sediments.

In the Precambrian Katanga Supergroup, Lower Roan Group the 200-1,000 m boulder conglomerate comprises cobbles and boulders of basement rocks set in a medium grained matrix of quartzite; schistose rocks that form the base of the Lower Roan Group. A 58-75 m Basal Arkose is light to pink, poorly sorted medium to coarse grained arkose that overlies the boulder conglomerate. The arkose is gritty in places and also has clear opalescent sporadic small pebbles and grits, quartz grains, kaolinised feldspar and scattered speculate fragments. Towards the top, the unit shows thin argillite bands.

A 20 m shaley Arkose is a thin unit of fine grained alternating beds of arkose and grey laminated argillic shale. The arkose overlies the basal arkose and basal unit. The 50-200 m gritty Argillite is a massive to finely bedded gritty argillite with locally developed silty interbeds. The unit is characterised by well rounded “frosted” quartz pebbles and numerous bands and lenses of coarser arkosic material. The gritty argillite overlies the basal arkose. A 50-100 m semi-massive to banded speckled Dolomitic Argillite has gritty limonitic bands with manganese rich quartzitic material that forms the rock mass. This rock shows much pitting suggestive of dolomite leaching. The unit marks the top of the Lower Roan Group sequence.

The shaley arkose is a thin and poorly developed equivalent unit of the copperbelt ore shale type, is sometimes carbonaceous and may be the basal part of the gritty argillite unit. In the deeper parts of the basin a well-developed thicker ore shale unit may exist with possible ore grade mineralisation.

In the Upper Roan Group a 100-200 m Dolomite Formation forms the topmost unit of the stratigraphic portion in the Nchanga area. It is a fine grained white-pink dolomite mostly confined to the axial plane of synclines showing very deep levels of weathering and is decomposed to dolomitic silt.

The tentative correlation of the local stratigraphy is listed in Table 4 above. Locally the soil layer that blankets the geological formations can be as much as 20 m or more deep. Generally the soil profile is of the B-type with isolated laterite and dambo soils that are moist and peaty in places.

4.4 Resource Potential

There is currently no geological map available of the Kasombo project area so no resource estimates can yet be attempted. The artisanal workings and two non-operating nearby open pits confirm the presence of copper/cobalt mineralisation at the project, however extensive successful exploration is required before JORC Code (2012) resources estimates can be undertaken.

It is emphasized that Exploration Target tonnage and grade estimates are entirely conceptual in nature. There has been insufficient or no drilling in the immediate areas of this project and it is uncertain if exploration will result in the estimation of a Mineral Resource in the future.

5.0 Valuation of the Project

When valuing any mineral asset/project it is important to consider as many factors as possible that may either assist or impinge upon the current cash value estimates of the mineral asset under consideration. In this Report AM&A considers that the primary features to be taken into account are the Tenement Security; Available Infrastructure; Relevant Expenditure on development, Resource Estimations and the general Geological Setting.

Basically, many of these “Components are Ticked” as described above with regards to tenement security, infrastructure, exploration concepts and a favourable geological environment.

5.1 Selection of Valuation Methods

The following valuation methods, as described above in Section 2, are not considered applicable for the respective reasons provided:

- The Discounted Cash Flow method cannot be used for the Projects as the lack of mineral reserve estimates precludes a DCF;
- The Yardstick ‘prospectivity’ method - as the “Exploration Target” component is large and since not allowed by the Valmin Code 2015 would leave a distorted residual figure.
- Comparable transactions – with the recent general demise of the exploration industry, through lack of ‘high-risk funds’, this has curtailed much activity thus no similar recent relevant transactions could be located for similar projects where the mineral asset was suitably described.
- Real estate value which is usually based on a value ascribed to varying areas of tenement holdings which may consequently become unrealistic due to the varying areas of projects.
- The Empirical method was deemed unreliable since there are no JORC Code (2012) compliant resource estimates within a much larger mineralised footprint that has not yet been adequately drill investigated in total.
- For the Kasombo project the dearth of geological information precludes the use of any other method where the JV acquisition obligations take precedence.

Accordingly, the JV method addressed the agreed investment terms and conditions for the respective tenement portfolio that have overriding precedence and has been adapted as the overriding basis for the estimation of the value that was then varied by ±10% in order to produce a range of values.

Details of these workings are summarised in Appendix 1.

5.2 Valuation Conclusions

The summary result for the JV method is presented in Table 4. As stated above the JV method was selected as the most appropriate for valuation estimate purposes since it takes precedence over all other methods.

	A$M		
Method	**Low**	**High**	**Preferred**
CFE - DRC JV	11.65	14.23	12.94
CFE - DRC JV Rounded	**11.7**	**14.2**	**12.9**

Table 4: Summary Range of CFE Current Values.

The rounded CFE JV commitment to the Kasombo Project in the DRC is ascribed a value at $11.4 M from within the range $10.3 M to $12.6 M.

Accordingly the 100% value of the CFE/Paragon Kasombo JV is ascribed a value at $25.9 M from within the range $23.3 M to $28.5 M.

In addition the value of the CFE assignment to FEL is ascribed at $11.4 M from within the range $10.3 M to $ 12.6 M.

Yours faithfully,

Allen J. Maynard
BAppSc(Geol), MAIG, MAusIMM.

Brian J. Varndell
BSc(Spec Hons) FAusIMM.

Competent Persons Statement *The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Allen Maynard, who is a Member of the Australian Institute of Geosciences ("AIG"), a Corporate Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and independent consultant to the Company. Mr Maynard is the Director and principal geologist of Al Maynard & Associates Pty Ltd and has over 35 years of exploration and mining experience in a variety of mineral deposit styles. Mr Maynard has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code 2012). Mr Maynard consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

Competent Persons Statement *The information in this report which relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Brian Varndell, who is a Fellow of the Australasian Institute of Mining and Metallurgy and independent consultant to the Company. Mr Varndell is an associate of Al Maynard & Associate Pty Ltd and has over 40 years of exploration and mining experience in a variety of mineral deposit styles including iron ore mineralisation. Mr Varndell has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for reporting of Exploration Results, Exploration Targets, Mineral Resources and Ore Reserves".(JORC Code 2012). Mr Varndell consents to inclusion in the report of the matters based on this information in the form and context in which it appears.*

6.0 References

Valuation

AusIMM - JORC Code, 2012. *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserve,* prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australasian Institute of Geoscientists and Minerals Council of Australia (JORC), 2012 Edition.

AusIMM. (2015): "Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (the VALMIN Code)" 2015 Edition.

ClM, (2003): - "Standards and Guidelines for Valuation of Mineral Properties. Final Version, February 2003". Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties (CIMVAL).

Oxford Dictionary of Current English; for any terms not covered in the Glossary: Oxford University Press.

Rudenno, V. 2009: "The Mining Valuation Handbook" 3rd Edition.

Reserve Bank Inflation Calculator, Australia 2017:-
http://www.rba.gov.au/calculator/annualDecimal.html

Reports

CFE ASX announcement 13 July Cape Lambert Assigns its rights to Kasombo Copper Cobalt Project

7.0 Glossary of Technical Terms and Abbreviations

Anomaly	Value higher or lower than the expected or norm.
Base metal	Generally a metal inferior in value to the precious metals, e.g. copper, lead, zinc, nickel.

Complex	An assemblage of rocks or minerals intricately mixed or folded together.
Diamond drill	Rotary drilling using diamond impregnated bits, to produce a solid continuous core sample of the rock.
Dip	The angle at which a rock layer, fault of any other planar structure is inclined from the horizontal.
Fault	A fracture in rocks on which there has been movement on one of the sides relative to the other, parallel to the fracture.
Intercept	The length of rock or mineralisation traversed by a drillhole.
JORC	Joint Ore Reserves Committee- Australasian Code for Reporting of Identified Resources and Ore Reserves.
Mineralisation	In economic geology, the introduction of valuable elements into a rock body.
Ore	A mixture of minerals, host rock and waste material which is expected to be mineable at a profit.
Outcrop	The surface expression of a rock layer (verb: to crop out).
Primary	Mineralisation which has not been affected by near surface mineralisation oxidising process.
Quartz	A very common mineral composed of silicon dioxide-SiO_2.
RAB	Rotary Air Blast (as related to drilling)—A drilling technique in which the sample is returned to the surface outside the rod string by compressed air.
RC	Reverse Circulation (as relating to drilling)—A drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Reconnaissance	A general examination or survey of a region with reference to its main features, usually as a preliminary to a more detailed survey.
Remote Sensing	Geophysical data obtained by satellites processed and presented Imagery as photographic images in real or false colour combinations.
Reserve	In-situ mineral occurrence which has had mining parameters applied to it, from which valuable or useful minerals may be recovered.
Resource	In-situ mineral occurrence from which valuable or useful minerals may be recovered, but from which only a broad knowledge of the geological character of the deposit is based on relatively few samples or measurements.
Shear (zone)	A zone in which shearing has occurred on a large scale so that the rock is crushed and brecciated.
Stratigraphy	The succession of superimposition of rock strata. Composition, sequence and correlation of stratified rock in the earth's crust.
Strike	The direction or bearing of the outcrop of an inclined bed or structure on a level surface.

Abbreviations

B	Billion		
C	Carbon	TGC	Total graphitic carbon
g	gram	m^3	cubic metre
kg	kilogram	mm	millimetre
km	kilometre	M	million
km^2	square kilometre	oz	troy ounce
m	metre	t	tonne
m^2	square metre	µm	micron

Appendix 1: Details of Valuation Estimates.

CFE-FEL Kasombo Valuation - DRC					21Aug2017		**US$**			
Announced JV Proposals - US$										
Background of CFE JV and obligations										
On 15Aug2017 CFE shares at$0.021 and FEL shares at $0.032					A$:US$ 0.78		0.78		At settlement date per HLB FEL at 2.6cents	2.6
Paragon has an 70% interest in the Kipushi Tailings and 100% interest in the Kasombo Project ($6km^2$)										
by funding US$15M for Kipushi plant upgrade and Kasombo expenditure.										
CFE has a 50/50 JV with Paragon										
Pelesa & Associates (lawyers and advisors) to be paid US$50k upon HOA sign + US$100k and 90M shares upon JV sign + US$150k plus 50m shares upon production + 1% royalty.										
CFE owns 50% of JVCo Soludo Lambert Mining SAS (SLM): to spend 100% of expl/mining set up costs+ any required plant refurbishment,										
and secure 100% funding on behalf of SLM for project and settle any Gecamines obligations										
CFE to advance US$7.5M equity and any further funds as loans repayable from cashflow to each of the Kipushi Tailings Project and the Kasombo Project										
CFE JV Obligation										
	Shares M	**US$M**	**A$M**	**Low**	**High**					
Pelesa obligation										
at 15 Aug price	140		2.94							
Cash		0.30	0.38							
Paragon										
Exploration Cash		7.50	9.62							
Total spend for JV = Valuation			**12.94**	**11.65**	**14.23**					
less FEL recoup			11.43							
Residual JV Exposure			**1.51**	**1.36**	**1.66**					
CFE- FEL JV										
Background to FEL JV										
CFE assigns 100% of rights & obligations to FEL for Kasombo component to include a) undertake expl, b) complete F study in 18mths, c) commence mining in 24mths.										
FEL to fund 100% (a-c) and also fund plant expansion as required to process its ore. Any Funding>US$7.5M equity injection as a loan repayable from future project income										
FEL also to secure funding to commence mining, plant expansion and any Gecamines obligation.										
JV Obligation										
FEL to issue CFE 25M shares, pay US$50k deposit, pay US$75k and 10m facilitator shares on JV signing then pay 25M shares on achieving prod +US$75k and pay 1% royalty on attributable production.										
Royalty ignored in this valuation at this point in time										
Shares M	**US$**	**A$M**	**Low**	**High**		***Range achieved with ±10%***				
25	na	0.65								
10	na	0.26								
25	na	0.65								
sub Total		**1.56**								
Expl commitment	7.5	9.62								
Shares		1.56								
Cash US$	0.20	0.26								
Total JV Investment		**11.43**	**10.29**	**12.57**		Acquires 50% of Kasombo Project				
Rounded		**11.4**	**10.3**	**12.6**						
There is insufficient geological data to use any other valuation method at the effective date of this valuation										

Table 5: CFE DRC Kasombo Project JV Commitment.

Cape Lambert
Resources Ltd
ABN 71 095 047 920

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

CFE

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

XX

Vote online

- Go to www.investorvote.com.au **or** scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 **PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 10:00am (WST) on Wednesday, 1 November 2017

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate “Certificate of Appointment of Corporate Representative” prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

GO ONLINE TO VOTE,
or turn over to complete the form ➔

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

☐ **Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with '**X**') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Cape Lambert Resources Limited hereby appoint

☐ **the Chairman of the Meeting** **OR** ______________________

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Cape Lambert Resources Limited to be held at 32 Harrogate Street, West Leederville, Western Australia on Friday, 3 November 2017 at 10:00am (WST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

		For	Against	Abstain
Resolution 1	Approval to Dispose of Asset to Related Party	☐	☐	☐

The Chairman of the Meeting intends to vote undirected proxies in favour of the item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on the resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1	Securityholder 2	Securityholder 3
Sole Director and Sole Company Secretary	Director	Director/Company Secretary

Contact Name ______________________ **Contact Daytime Telephone** ______________________ **Date** ____ / ____ / ____

CFE 999999A

computershare