

QUARTERLY ACTIVITIES AND CASH FLOW REPORT FOR THE QUARTER ENDED 30 SEPTEMBER 2019

CORPORATE

Strategy and Business Model

Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert** or the **Company**) is an Australian domiciled mineral development company. Cape Lambert has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America (refer Figure 1).

Cape Lambert's strategy is to acquire and invest in undervalued and/or distressed mineral assets and companies (**Projects**) and:

- improve the value of these Projects, through a hands-on approach to management, exploration, evaluation and development; and
- retain long-term exposure to these Projects through a production royalty and/or equity interest.

Cape Lambert aims to deliver Shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders

Cash Balance

As at 30 September 2019, the Company had approximately A\$278,000.

Magna Financing Facility

As previously announced, the Company established a A\$7.5m finance facility with MEF I, L.P. (**Magna**) of which A\$750k (548,310 convertible notes) was drawn down on 19 December 2018.

During the quarter, Magna converted 125,831 notes which resulted in the issue of 32,546,119 fully paid ordinary shares in the Company. As at 30 September 2019, Magna had 207,986 convertible notes remaining.

Winance Finance Facility

On 31 July 2019, the Company announced that it had secured an A\$15m finance facility with Winance Investment LLC (**Winance**) for mining exploration and general working capital purposes.

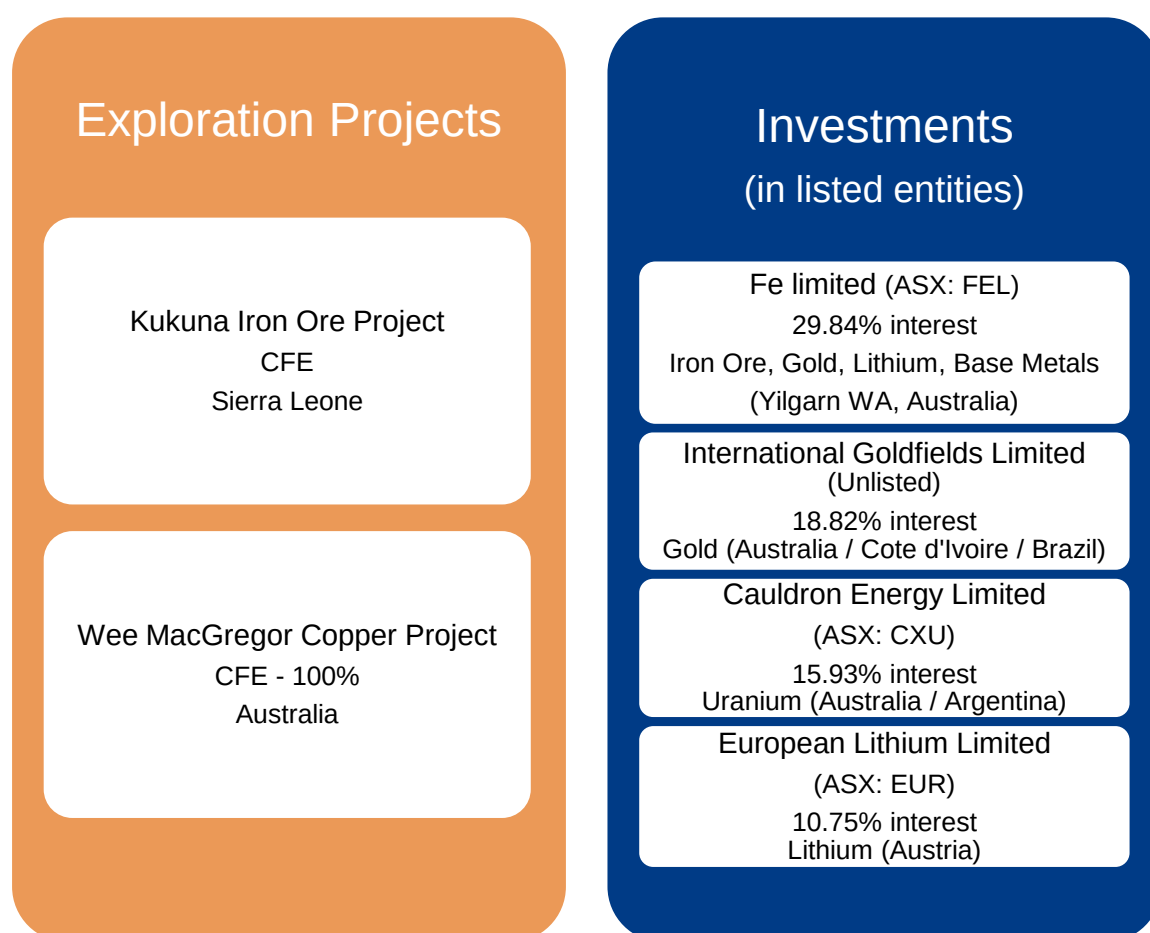


The initial tranche of A\$1.2m (1,200 convertible notes) was drawn down on 8 August 2019 with the conversion of initial tranche A notes (\$480k or 480 convertible notes) unconditional and the conversion of initial tranche B notes (\$720k or 720 convertible notes) subject to prior approval by Cape Lambert shareholders. Further tranches of A\$13.8m is available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period.

Full terms and conditions of the convertible securities are included in the announcement released on 31 July 2019.

During the quarter, Winance converted 130 notes which resulted in the issue of 26,000,000 fully paid ordinary shares in the Company. As at 30 September 2019, Winance had 1,070 convertible notes remaining.

Figure 1: Group Structure 30 September 2019



PROJECTS

Marampa

Marampa is an iron ore project at the development stage, and is located 90 km northeast of Freetown, Sierra Leone, West Africa (**Marampa** or **Marampa Project**). The Marampa Project comprised one mining licence (ML05/2014) comprising 97.40km² and one exploration licence (EL46A/2011) comprising 145.86km². The status of these tenements is as follows:

ML05/2014

In 2014, Marampa Iron Ore (SL) Limited (**Marampa SL**), a wholly owned subsidiary of Cape Lambert was granted the mining and environmental licences for ML05/2014 (together the **Mining Licence**). The Company has spent circa US\$62.7m on exploration and development to date on the Marampa Project.

In September 2018, Marampa SL received a letter from the Sierra Leone Ministry of Mines (**SLMOM**) cancelling the Mining Licence. In 2018, Marampa SL commenced legal action in Sierra Leone to challenge SLMOM's decision to cancel the Mining Licence ML05/2014, however, the Board has agreed to place legal action against the SLMOM on hold.

The Company reconfirms that it does not currently have tenure over ML05/2014. Whilst no formal application has been made to date, the Company has, and will continue to be, engaged in dialogue with the relevant Sierra Leonean authorities in an attempt to have the Mining Licence reinstated or reissued by mutual agreement.

Whilst there can be no guarantee that the SLMOM will agree to reinstate or reissue a Mining Licence, if Marampa SL were to successfully recover the Mining Licence, the Board is committed to working with the relevant parties to secure access to the necessary plant and equipment and infrastructure to enable the ramp up of the Marampa Project upon the reissuance of the Mining Licence for the benefit of our shareholders as well as, importantly, the Government and People of Sierra Leone.

In parallel, Cape Lambert management are in preliminary discussions with third parties to secure financing to fund the development of the Marampa Project.

EL46A/2011

In 2014, Marampa SL was granted exploration license EL46A/2011. In June 2014 the SLMOM extended EL46A/2011 for a further 2-year term from 31 July 2015 until 31 July 2017. Marampa SL has not paid renewal fees to the SLMOM in respect of EL46A/2011 since 31 July 2017. However, Marampa SL has not received any termination documentation or request for information from the SLMOM, therefore is of the view that EL46A/2011 remains a valid license. Marampa SL has contacted the SLMOM asking them to confirm the status of EL46A/2011 however no response has been received to date therefore tenure over EL46A/2011 remains uncertain. Marampa SL will continue to follow up with the SLMOM to determine the status of EL46A/2011.

The Board confirms that given the inherent uncertainties relating to the future of the Marampa Project, the carrying value of the Marampa Project in Cape Lambert's audited accounts was fully impaired as at 30 June 2016 and remains fully impaired.

The Company is currently committing minimum expenditure on the Marampa Project and no exploration activities are currently underway at the Marampa Project.

Kukuna

Dempsey Resources Bermuda Limited holds the Kukuna Iron Ore Project located in Sierra Leone (**Kukuna or Kukuna Project**).

The Kukuna Project is located 120 km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence (EL22/2012) covering 68km². The licence comprises rocks known to host specular hematite mineralisation.

The Kukuna Project remains under care and maintenance.

Kipushi Copper-Cobalt Projects (JV with Paragon Mining SARL)

The Kipushi Cobalt Copper Tailings Project located in the Democratic Republic of Congo consisted of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**).

During the quarter the Company announced that the joint venture agreement with its partner Paragon Mining SARL had been terminated (refer ASX announcement dated 14 August 2019) and hence the Company is no longer involved with the Kipushi Project.

Mining International Pty Ltd

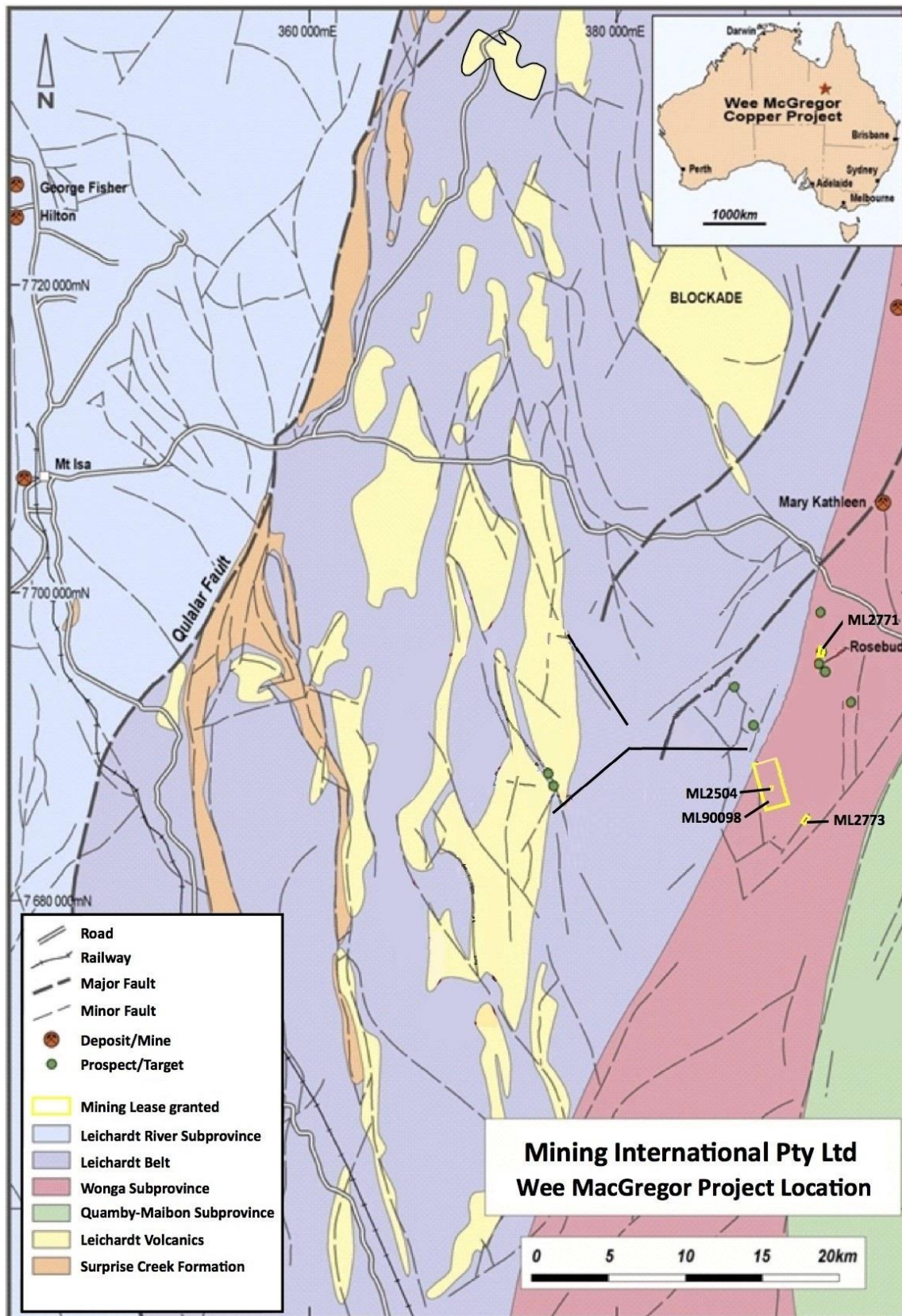
Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 2).

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The tenements are located in the Mary Kathleen Zone/Wonga Subprovince. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits.

Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098, while the Firebird Minerals Pty Ltd (**Firebird**) Farm-in agreement for mining licence ML 2771 has lapsed.

No activities were reported for the quarter.

Figure 2 – Wee McGregor Project Location



APPENDIX 1: TENEMENT STATUS

The mining tenements held at the end of each quarter, acquired and disposed of during the quarter and their location:

Tenement reference	Project & Location	Acquired interest during the quarter	Disposed interest during the quarter	Interest at the end of quarter
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	-	-	100%
ML 90098 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2504 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2771	Wee MacGregor - Queensland	-	-	100%
ML 2773 ¹	Wee MacGregor - Queensland	-	-	100%

¹ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details.

There were no mining tenements with beneficial interest earned/lost in farm-in/farm-out agreements at the end of the quarter.

For further information please contact:

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	11	11
1.2	Payments for		
	(a) exploration & evaluation	(222)	(222)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(14)	(14)
	(e) administration and corporate costs	(216)	(216)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(260)	(260)
1.7	Research and development refunds	-	-
1.8	Other (transfer cash restricted to non-restricted)	-	-
1.8	Other (legal matters)	(124)	(124)
1.9	Net cash from / (used in) operating activities	(825)	(825)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-

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

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	1,200	1,200
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(143)	(143)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Magna default payment)	(164)	(164)
3.10	Net cash from / (used in) financing activities	893	893

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	210	210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(825)	(825)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	893	893
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	278	278

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	278	210
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	278	210

6. Payments to directors of the entity and their associates

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

6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
-
-

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	52
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payments included in item 7.1 are inclusive of GST and relates to payments to director-related parties for office occupancy.

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	15,000,000	1,200,000
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

The Company has established a convertible note facility with Winance Investment LLC. Full terms and conditions of this facility are included in the ASX announcement dated 31 July 2019.

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	(141)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(12)
9.5	Administration and corporate costs	(346)
9.6	Other (ATO payment)	(260)
9.6	Other (Magna repayments)	(461)
9.7	Total estimated cash outflows	(1,220)*

* This is an estimate of the total cash outflows of the Company for the next quarter and does not take into account proceeds from any proposed placements or debt financing.

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2	Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

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



Sign here:
Company Secretary

Date: 31 October 2019

Print name: Melissa Chapman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.