

Due Diligence Progressing on Cobalt Joint Venture Site Visit Confirms High Grade Cobalt Prospectivity

Highlights

- **Due diligence on high grade and near term cobalt production joint venture progressing well and on schedule;**
- **Handheld XRF sampling of tailings material at the Kipushi Cobalt Tailings Project supports historical data and cobalt grades;**
- **Handheld XRF sampling of artisanal cobalt workings and exposed cobalt mineralisation at the Kasombo Copper-Cobalt Project areas confirm high cobalt and copper grades;**
- **Samples of tailings collected from Kipushi Cobalt Tailings Project, to be despatched for further analyses;**
- **Initial Kipushi Processing Plant review completed with metallurgical consultants to now be appointed to finalise technical review and sign-off for the Board;**
- **Meetings held with global commodity traders in Lubumbashi to advance offtake discussions for the sale of cobalt concentrates and associated offtake financing;**
- **Cobalt prices continue to rise and exceed US\$48,000/t against a backdrop of increased demand and predicted supply shortage;**
- **Legal and technical due diligence on track to be completed by 31 March 2017.**

Australian resource and investment company, Cape Lambert Resources Limited (**ASX: CFE**) (**Cape Lambert or the Company**) is pleased to confirm that its due diligence on the high grade and near term cobalt production and proposed joint venture is progressing well and on schedule.

The Company's senior management and technical consultants

have returned from the Democratic Republic of Congo (**DRC**) after having completed an on-site inspection of the Kipushi Cobalt Tailings Project, the Kasombo Copper-Cobalt Projects (together **Projects**), and the Kipushi Processing Plant and review of available technical data, as part of its ongoing due diligence work.

Cape Lambert Resources Limited (ASX: CFE) is a fully funded mineral development company with exposure to iron ore, copper, gold, uranium, manganese, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America.

Australian Securities Exchange

Code: CFE

Ordinary shares
720,686,586

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

Board of Directors

Tony Sage
Executive Chairman

Tim Turner
Non-executive Director

Jason Brewer
Non-executive Director

Melissa Chapman
Company Secretary

Cape Lambert Contact

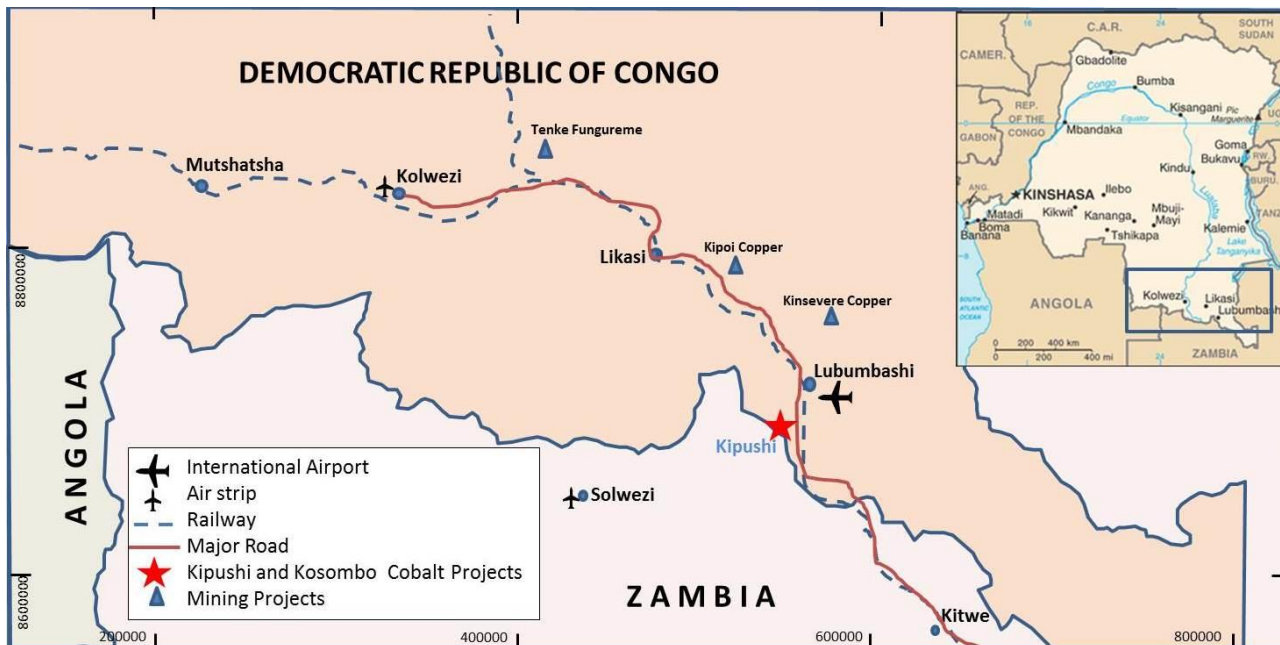
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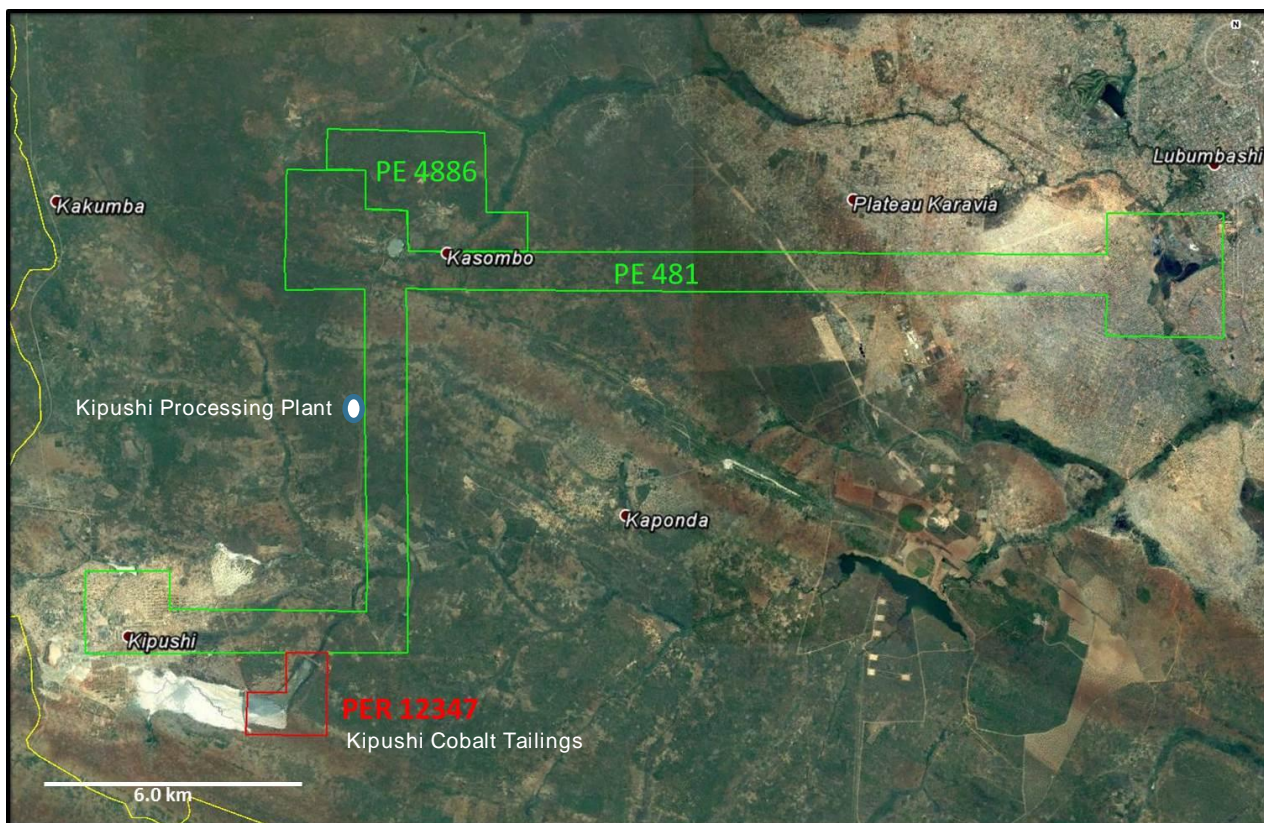
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Kipushi Location Map



Tenement and Project Layout

The site visit, undertaken between 21 and 24 February 2017, and ongoing due diligence review follows the signing last week of a Binding Heads of Agreement (**Agreement**) with Congolese company, Paragon Mining SARL (**Paragon**) to form a 50/50 Joint Venture (**JV**) to develop the Projects and operate the Kipushi Processing Plant.

Cape Lambert Executive Chairman, Mr Tony Sage, said: “We have moved very quickly to have our technical consultants and senior management on site in the DRC to commence our due diligence on this high grade, near term cobalt production opportunity.”

“The feedback that we have received following this recent site visit is extremely positive, with confirmation of both the high-grade nature and near term cobalt production potential of this opportunity in the DRC.”

“In addition, the associated infrastructure, access and mine supply services are very good and have the capacity to greatly assist Cape Lambert establish itself as a new and significant producer of cobalt in the near term.”

“Our discussions in Lubumbashi with one of the world’s leading commodity traders and purchasers of cobalt concentrates has also allowed us to progress our offtake discussions and explore potential offtake related debt structures to fund the initial working capital requirements.”

“Based on the work completed, we can accelerate our due diligence activities and confidently meet our schedule to be finalised later this month and move forward with this exciting new Joint Venture for Cape Lambert and its shareholders.”

Kipushi Processing Plant

The site visit to the Kipushi Processing Plant included an inspection of all aspects of the plant including the weigh bridge, ROM pad, ball mills, flotation cells, filter presses, as well as the 12MW electrical substation connected to the national grid, and site and administration offices.



View over Kipushi Processing Plant



View over Milling Circuit



View over Flotation Circuit

The Company's management noted that construction of the process plant was all but completed, with commissioning yet to be undertaken.

The next step in the due diligence work on the Kipushi Processing Plant will be to appointment a specialist metallurgical/process engineer to review in detail the process design and to determine if any improvements can be made in the process flowsheet and/or the installed plant. Further due diligence work will also be completed on the plant construction and operating agreements, including process guarantees from the EPCM contractor and also the availability and costings of key reagents and consumables required for steady state operations.

Kipushi Cobalt Tailings Project

The Kipushi Cobalt Tailings Project (**Kipushi tailings**) is located approximately 8km from the Kipushi Processing Plant, and is contained entirely on PER 12347. The Kipushi tailings comprise tailings disposed from the Lwiswishi high grade open pit cobalt-copper mine that was processed by State owned mining company, La Générale des Carrières et des Mines (**Gecamines**) at a nearby flotation plant.

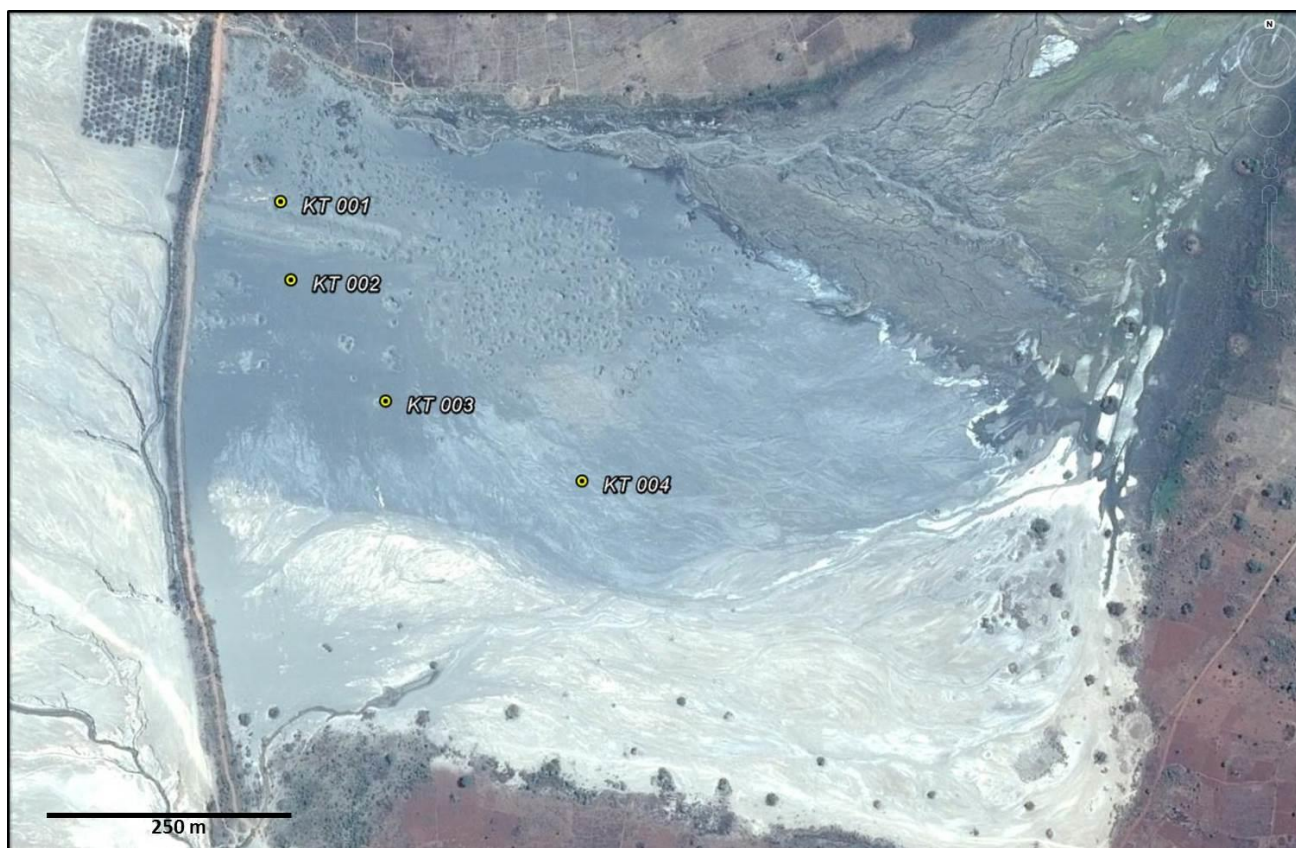


View over the Kipushi tailings area

The cobalt and copper rich tailings were discharged over a 12-year period from 2002 until June 2014. The Kipushi tailings extend over 1.2km in length and over 400m in width, and presented to the Company of having a maximum depth of approximately 12m in the centre of the tailings dam and 5m at the boundaries of the tailings dam, with average depths of approximately 8m.

The Company's technical consultants collected samples of the Kipushi tailings from various locations and at various depths. Preliminary indicative grades of the tailings were determined using a handheld XRF.

Sample ID	UTM Easting	UTM Northing	Estimated thickness	Co Grade (%)	Cu Grade (%)
KT001	529928	8698248	0.5m	0.64%	0.86%
KT002	529937	8698168	1.0m	0.75%	0.75%
KT003	530033	8698043	2.5m	0.60%	0.70%
KT004	530240	8697959	0.5m	0.75%	0.50%



Sample locations from Kipushi tailings

The XRF grades are consistent with the historical results presented to the Company for the material deposited in the Kipushi tailings dam. The samples have been returned to Australia and will be despatched for further analyses and testwork. Results from this analyses are expected in March 2017.

Further due diligence work on the Kipushi tailings is ongoing, with the detailed historical records of the deposition of the tailings to be received shortly. This will include the monthly tonnages of tailings deposited in the tailings dam as well as the grades for the cobalt, copper, zinc and other accessory minerals.

The Company will also commence discussions with local drilling contractors to complete a drilling program across the Kipushi tailings, to allow a JORC 2012 compliant resource and reserve to be determined.

Kasombo Copper-Cobalt Project

The Kasombo Copper-Cobalt Project (**Kasombo**) comprises three separate locations within a single granted mining license, PE 4886. All deposits are within 3-5km of the Kipushi Processing Plant.



Artisinal mining at a Kasombo artisanal pit

An inspection was undertaken at the extensive open pit and underground artisanal workings at Kasombo 6, 7 and 12, as well as the historical mining activities at Kasombo 1 and Kasombo 2, which were mined and processed under a joint venture between Forrest International Group and Gecamines in the 1990s.

In addition, management were able to inspect a number of the contiguous projects including Kasombo 5 and Kasombo 13, where Gecamines have completed trenching, sampling and drilling, and artisanal mining of cobalt and copper mineralisation by both shallow underground (approx. 30m) and open pit methods. Production is ongoing with the sale of concentrates to local traders and processing groups. A review of the several waste rock and low grade stockpiles within the license area was also completed by the Company.

The Company's technical consultants were able to undertake handheld XRF sampling of artisanal open pit workings and exposed cobalt mineralisation at the Kasombo from surface and to depths of 30m.



Handheld XRF analysis at Kasombo 6

The results of the XRF sampling were consistent with and confirmed the previously reported mined copper and cobalt grades by Gecamines and Forrest International Group of between 2.7% to 3.7% copper and 3.5% to 5.3% cobalt.

An extreme high grade rock sample from Kasombo 7 returned a handheld XRF grade of >21% Co. Follow up work including a detailed review of the historical data from Gecamines will be undertaken when further geological information of the Kasombo area is received from Paragon.

Finalisation of Due Diligence and Joint Venture Agreement

The Company aim to finalise due diligence work over the next 4 weeks. Additional technical, legal and financial consultants are to be retained to allow the Company to accelerate this work, following feedback from the recent site visit.

The Company is confident that it will complete its legal, technical and financial due diligence on or before 31 March 2017.

In parallel with its due diligence work, the Company and Paragon are each securing any necessary approvals to enter into and implement the JV Agreement, including moving ahead with the incorporation of the new JV Company.

In-country lawyers will be appointed to complete a final legal due diligence review and confirm legal title, validity of mining licenses. Lawyers in Australia will also be appointed to prepare the JV Agreement, ready for execution by the Company and Paragon.

The Company is pleased with the progress of its due diligence work and remains firmly of the opinion that this is an excellent opportunity for the Company that is in line with its strategy and will provide shareholders with a near term cobalt production asset, three highly prospective hard rock copper-cobalt mineralized areas at a time when cobalt prices exceed US\$48,000/t and major mining companies are aggressively acquiring cobalt projects in the DRC.

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

About Us

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

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

- improve the value of these Projects, through a hands on approach to management, exploration, evaluation and development; and

- retain long-term exposure to these Projects through a production royalty and/or equity interest.

Cape Lambert aims to deliver shareholder value by adding value to these undervalued and undeveloped Projects.

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

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Mr Olaf Frederickson. Mr Frederickson is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Frederickson is a consultant to Cape Lambert Resources. Mr Frederickson consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.

JORC Code, 2012 Edition – Table 1 Kipushi Tailings

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i> <i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i> <i>Aspects of the determination of mineralisation that are Material to the Public Report.</i> <i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i> 	<ul style="list-style-type: none"> Manual channel samples were taken vertically through the excavated pit wall. Composite samples were taken from the base of the artisanal pits to top of the tails. Samples were collected in zip lock plastics and placed into calico bags. Samples were analysed in the field with a Niton handheld XRF gun. Three readings were taken through the calico bags for each sample and the average taken to be the accepted indicated grade.
Drilling techniques	<ul style="list-style-type: none"> <i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i> 	<ul style="list-style-type: none"> No drilling conducted.
Drill sample recovery	<ul style="list-style-type: none"> <i>Method of recording and assessing core and chip sample recoveries and results assessed.</i> <i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i> <i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i> 	<ul style="list-style-type: none"> No drilling conducted.
Logging	<ul style="list-style-type: none"> <i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i> 	<ul style="list-style-type: none"> Samples were not logged.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography. The total length and percentage of the relevant intersections logged. 	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> If core, whether cut or sawn and whether quarter, half or all core taken. If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry. For all sample types, the nature, quality and appropriateness of the sample preparation technique. Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples. Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling. Whether sample sizes are appropriate to the grain size of the material being sampled. 	<ul style="list-style-type: none"> All samples were partially wet but were competent to the touch. The material was in the form of stratigraphically layered non saturated tailings of fairly uniform consistency.
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total. For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc. Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established. 	<ul style="list-style-type: none"> XRF samples were not assayed in a lab. Indicative grades were obtained with the use of a Niton handheld XRF gun. Three readings were taken through the calico bags for each sample and the average taken to be the accepted indicated grade. These samples are to be submitted to an assay lab in due course.
Verification of sampling and assaying	<ul style="list-style-type: none"> The verification of significant intersections by either independent or alternative company personnel. The use of twinned holes. Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols. Discuss any adjustment to assay data. 	<ul style="list-style-type: none"> No verification work has been conducted.
Location of data points	<ul style="list-style-type: none"> Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation. Specification of the grid system used. 	<ul style="list-style-type: none"> Samples were located with handheld GPS.

Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> Quality and adequacy of topographic control. 	
Data spacing and distribution	<ul style="list-style-type: none"> Data spacing for reporting of Exploration Results. Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied. Whether sample compositing has been applied. 	<ul style="list-style-type: none"> Samples were taken at random dependent on where artisanal workings were encountered. The data is not suitable for resource estimation. Samples were composited as described prior.
Orientation of data in relation to geological structure	<ul style="list-style-type: none"> Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material. 	<ul style="list-style-type: none"> No particular geological structure is evident in the tailings
Sample security	<ul style="list-style-type: none"> The measures taken to ensure sample security. 	<ul style="list-style-type: none"> Sample chain of custody was maintained by the geologist throughout delivery to their place of storage.
Audits or reviews	<ul style="list-style-type: none"> The results of any audits or reviews of sampling techniques and data. 	<ul style="list-style-type: none"> No audits or reviews have been done.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	<ul style="list-style-type: none"> Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings. The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area. 	<ul style="list-style-type: none"> Work was conducted on PER 12347 in the Kipushi Tailings area of southern DRC. The licence is reportedly held by state owned company Gecamines and is the subject of a rights agreement between Gecamines and Paragon SARL and a proposed joint venture agreement between Paragon SARL and Cape Lambert Resources. Details of tenure are to be confirmed as part of the due diligence.
Exploration done by other	<ul style="list-style-type: none"> Acknowledgment and appraisal of exploration by other parties. 	<ul style="list-style-type: none"> No known exploration has been conducted on the tailings. Historical plant records have been requested.

Criteria	JORC Code explanation	Commentary
<i>parties</i>		
Geology	<ul style="list-style-type: none"> • <i>Deposit type, geological setting and style of mineralisation.</i> 	<ul style="list-style-type: none"> • Post processing tailings.
Drill hole Information	<ul style="list-style-type: none"> • <i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i> <ul style="list-style-type: none"> ○ <i>easting and northing of the drill hole collar</i> ○ <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> ○ <i>dip and azimuth of the hole</i> ○ <i>down hole length and interception depth</i> ○ <i>hole length.</i> • <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> 	<ul style="list-style-type: none"> • See attached table for sample information.
Data aggregation methods	<ul style="list-style-type: none"> • <i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i> • <i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i> • <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	<ul style="list-style-type: none"> • The indicative assay results are the average of three readings from different parts of the sample.
Relationship between mineralisation widths and intercept lengths	<ul style="list-style-type: none"> • <i>These relationships are particularly important in the reporting of Exploration Results.</i> • <i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i> • <i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg ‘down hole length, true width not known’).</i> 	<ul style="list-style-type: none"> • Samples were taken vertically down the walls of artisanal pit excavations. • The base of the tailings was not intersected at any time.
Diagrams	<ul style="list-style-type: none"> • <i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i> 	<ul style="list-style-type: none"> • See attached location plan.

Criteria	JORC Code explanation	Commentary
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results. 	<ul style="list-style-type: none"> All results have been reported
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances. 	<ul style="list-style-type: none"> N/A
<i>Further work</i>	<ul style="list-style-type: none"> The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling). Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive. 	<ul style="list-style-type: none"> The tailings are to be drilled on a regular grid to ascertain representative grades and accurate depths of tails.