

Cobalt Off-Take Discussions Advance Due Diligence Progresses Towards Positive Conclusion

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

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Executive Chairman

Tim Turner
Non-executive Director

Jason Brewer
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Melissa Chapman
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Highlights

- Discussions underway with major global commodity trading houses on potential life-of-mine offtake agreements
- Preliminary non-binding offers of off-take debt funding and prepayment received and currently being reviewed by the Board
- As part of off-take discussions a further 32kg tailings sample collected, with metallurgical testing in South Africa underway to determine final concentrate composition and characteristics
- Assay results on earlier tailings samples received and support cobalt and copper grades determined by hand held XRF sampling
- Assay results of concentrate sample (KT005) taken from simple artisanal operation at Kipushi Tailings reported 1.50% cobalt and 8.28% copper
- Technical and legal due diligence progressing well and on track for a positive conclusion in April

Australian resource and investment company, Cape Lambert Resources Limited (ASX: CFE) (Cape Lambert or the Company) is pleased to provide an update on its activities in respect to the Binding Heads of Agreement (Agreement) entered into with Congolese company, Paragon Mining SARL (Paragon) to develop the Kipushi Cobalt Tailings Project, the Kasombo Copper-Cobalt Projects (together Projects) and operate the Kipushi Processing Plant, located near Kipushi in the Democratic Republic of Congo (DRC) (refer ASX announcement dated 21 February 2017).

Over the past month, the Company and its technical management have completed a number of site visits to the Projects and appointed key technical and legal advisors to progress its legal and technical due diligence, to meet with key stakeholders in the DRC and to prepare itself for the proposed development and commencement of production activities.

As part of this, the Company has also met and held discussions with five major global commodity trading houses, all of whom have expressed an interest to enter into life-of-mine cobalt and copper concentrate offtake agreement in respect to the Kipushi Cobalt Tailings Project.

In addition, non-binding offers of off-take debt funding and pre-payment finance have also been received for amounts of up to a maximum US\$10m. These are proposed to be made available for funding 100% of the anticipated capital and working capital requirements of the Projects and also fund the acquisition of additional advanced cobalt projects in the DRC. Management have also held several detailed meetings in Lubumbashi, in London and in Johannesburg to progress this. Further meetings are planned to continue in April in Hong Kong and Johannesburg, with a view of finalizing an off-take agreement and associated debt funding package over the coming months.

Whilst these meetings are preliminary in nature, and there is no assurance that a final binding life-of-mine cobalt and copper concentrate offtake agreement, or associated off-take debt funding and pre-payment finance agreement will be reached, the very high level of interest and significant offers received to date is considered by management to demonstrate the significant opportunity and value of the Kipushi Cobalt Tailings Project.

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

The results of this testwork and the concentrate characteristics and composition is critical to finalisation of the Company's proposed cobalt and copper concentrate offtake agreement and off-take debt funding and pre-payment finance, and has been requested by the major global commodity trading houses that the Company is in discussions with.

This testwork, which is currently underway in South Africa, is aimed at verifying previous work completed and aimed at producing both a bulk concentrate grading initially 10-12% copper and greater than 2% cobalt and three separate concentrates of copper, cobalt and zinc. A further objective of this testwork is to conduct gravity work to determine the potential for pre-concentration of a mill product and on tailings from rougher flotation. It is expected that the testwork will be completed in April 2017.

The Company is also pleased to report that assay results from the four tailings samples collected during the recent site visit completed in February 2017 supports the grades determined by the handheld XRF readings (refer ASX announcement dated 1 March 2017). The Company's technical consultants collected samples of the Kipushi tailings from various locations and at various depths (refer to Figure 2) and indicative grades of the tailings were determined using a handheld XRF and ranged between 0.40% to 0.75% cobalt and 0.50% to 0.86% copper. These collected samples were dispatched to Bureau Veritas Minerals laboratory in Perth for assay analysis, with the key results as presented in Table 1 and a complete table of all elements assayed included in Table 2. Sample number KT005 was a sample collected of some artisanally concentrated tailings using simple sluicing techniques (gravity concentration). This serves to demonstrate what may be achieved using gravity separation processes as an alternative or in addition to conventional flotation.

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

Table 1: Key Assay Results

In addition to the ongoing technical due diligence, the Company is close to finalizing its legal due diligence on the various licenses and permits in place and approvals to commence commercial production and sales and export of concentrates. The Company's lawyers have further drafted the Joint Venture Shareholders Agreement which is currently being reviewed by the parties.

The Company can confirm that at this stage it has not identified any fatal flaws or identified any material adverse findings that would prevent it from successfully concluding its due diligence. However, as a result of the additional testwork that is now being completed to assist the Company in finalizing a cobalt and copper concentrate offtake agreement and associated off-take debt funding and pre-payment finance, agreement has been reached with Paragon to have the date extended to 30 April 2017 for the due diligence and Joint Venture Shareholders Agreement to be executed.

Cape Lambert Executive Chairman, Mr Tony Sage, said: "It's great to see the assay results support what our team observed in the field. The metallurgical testwork now being conducted will also provide confidence in the product that can be produced and assist us greatly in finalizing a cobalt and copper concentrate offtake agreement and associated off-take debt funding and pre-payment finance."

"The level of interest from some of the world's largest global commodity trading companies in entering into a life-of-mine cobalt and copper concentrate offtake agreement in respect to the Kipushi Cobalt Tailings Project, is very encouraging and clearly demonstrates the significance of this project and the strong market fundamentals for cobalt, where prices have risen to now exceed US\$50,000/tonne."

"There is still much work to be done by the Cape Lambert team and its advisors but I am confident that over the coming weeks, we can move towards finalization of our due diligence and execution of the Joint Venture Shareholders Agreement."

Yours faithfully
Cape Lambert Resources Limited

Tony Sage
Executive Chairman

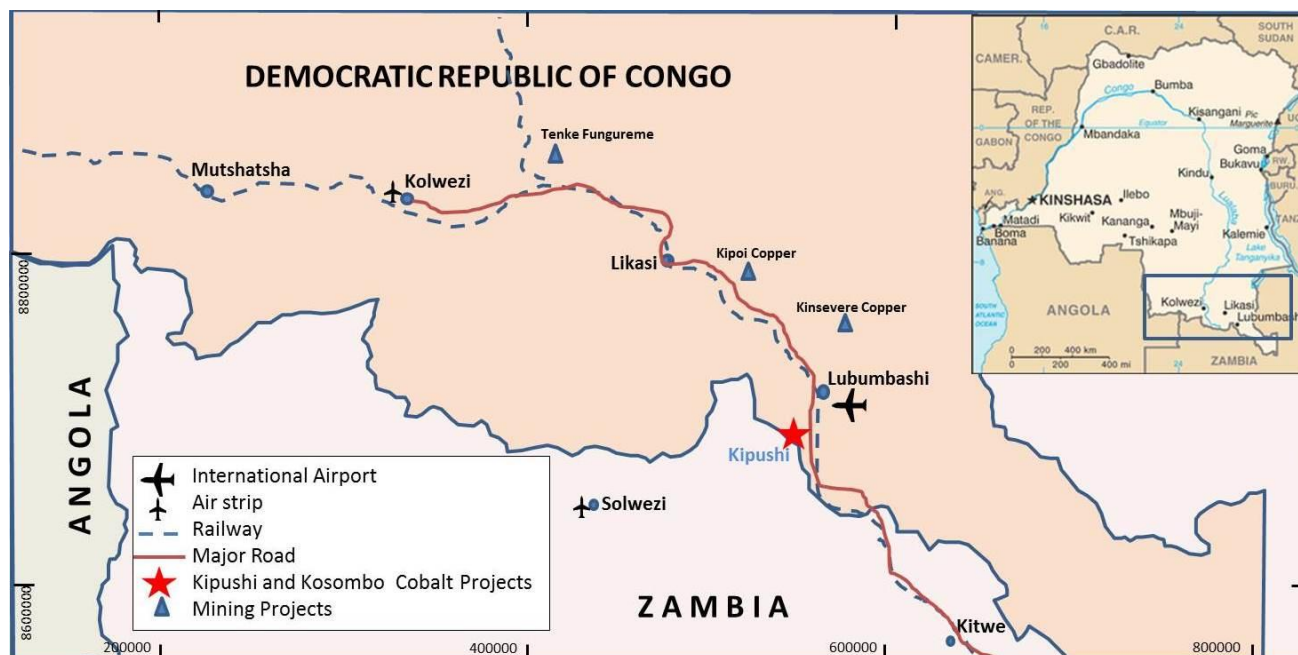


Figure 1 - Kipushi Location Map



Figure 2 - Sample locations from Kipushi tailings

Sample	Au1	Pt	Pd	Ag	Co	Cu	Mg	Mn	Ni	Zn
UNITS	ppb	ppb	ppb	ppm	%	%	%	ppm	ppm	ppm
KT01	6	-5	-5	-0.5	0.43	1.12	6.13	634	52	366
KT02	5	-5	-5	-0.5	0.46	1.18	6.76	758	50	798
KT03	10	-5	-5	-0.5	0.35	1.08	5.35	514	52	286
KT04	3	-5	-5	-0.5	0.41	0.89	7.71	796	50	486
KT05	51	-5	5	0.5	1.50	8.28	4.9	1170	134	1240

Table 2: Assay Results from Tailings Samples

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. Samples have since been laboratory assayed and the results presented earlier in this announcement. One sample (KT005) was taken out of a bag of artisinally concentrated tailings.
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. • The samples have been sorted & dried. The whole sample has been pulverised in a vibrating disc pulveriser.
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"> • Initial XRF analysis of samples. • 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. • Samples were submitted to the Bureau Veritas lab in Perth and analysed using the following methods” <ul style="list-style-type: none"> • The samples have been analysed by Firing a 40 gm (approx) portion of the sample. Lower sample weights may be employed for samples with very high sulphide and metal contents. This is the classical fire assay process and will give total separation of Gold Platinum and Palladium in the sample. • Au, Pt, Pd determined by Inductively Coupled Plasma (ICP) Optical Emission Spectrometry. • The sample(s) have been digested and refluxed with a mixture of Acids including Hydrofluoric Nitric Hydrochloric and Perchloric Acids. This extended digest approaches a Total digest for many elements however some refractory minerals are not completely

Criteria	JORC Code explanation	Commentary
		<p>attached.</p> <ul style="list-style-type: none"> Ag, Co determined by Inductively Coupled Plasma (ICP) Mass Spectrometry. Cu, Mg, Mn, Ni, Zn determined by Inductively Coupled Plasma (ICP) Optical Emission Spectrometry.
<i>Verification of sampling and assaying</i>	<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"> Lab standards and repeat samples were carried out as part of the assay procedure.
<i>Location of data points</i>	<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. Quality and adequacy of topographic control. 	<ul style="list-style-type: none"> Samples were located with handheld GPS.
<i>Data spacing and distribution</i>	<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.
<i>Orientation of data in relation to geological structure</i>	<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
<i>Sample security</i>	<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.
<i>Audits or reviews</i>	<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 parties	<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.
Geology	<ul style="list-style-type: none"> Deposit type, geological setting and style of mineralisation. 	<ul style="list-style-type: none"> Post processing tailings.
Drill hole Information	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> easting and northing of the drill hole collar elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar dip and azimuth of the hole down hole length and interception depth hole length. 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. 	<ul style="list-style-type: none"> See attached table for sample information.
Data aggregation methods	<ul style="list-style-type: none"> 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. 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 	<ul style="list-style-type: none"> The indicative assay results are the average of three readings from different parts of the sample.

Criteria	JORC Code explanation	Commentary
	<p><i>such aggregations should be shown in detail.</i></p> <ul style="list-style-type: none"> <i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i> 	
<i>Relationship between mineralisation widths and intercept lengths</i>	<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.
<i>Diagrams</i>	<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.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> • All results have been reported
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <i>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.</i> 	<ul style="list-style-type: none"> • N/A
<i>Further work</i>	<ul style="list-style-type: none"> <i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i> <i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i> 	<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.