



QUARTERLY ACTIVITIES AND CASH FLOW REPORT FOR THE QUARTER ENDED 31 MARCH 2020

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 31 March 2020, the Company had approximately A\$476,000.

Board Restructure

During the quarter, the Company announced the appointment of Mr Mark Hancock and the retirement of Mr Stefan Muller as Non-Executive Director of the Company with effect from 11 February 2020.

AGM

On 11 February 2020, the Company held its 2019 annual general meeting (**AGM**). Each resolution was decided by a poll with all resolutions passing other than resolution 2 (re-election of Director – Stefan Muller). Following the AGM, on 19 February 2020, the Company issued 60,488,463 shares as settlement of liabilities as resolved at the AGM (resolutions 10-14).

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 25,000 notes which resulted in the issue of 9,040,645 fully paid ordinary shares in the Company. In addition, Magna redeemed 43,119 notes resulting in the cash payment of US\$60k (A\$90k).

As at 31 March 2020, Magna had 108,612 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 310 notes which resulted in the issue of 62,000,000 fully paid ordinary shares in the Company.

As at 31 March 2020, Winance had 680 convertible notes remaining.

Winance Loan

On 24 January 2020 the Company entered into a \$2.2m loan facility with Winance (**Winance Loan**). The Winance Loan is for a term of 6 months and accrues interest of 20% during that period and is secured against by 30m shares held by the Company in European Lithium Limited (ASX: EUR). The Company has paid introducer and facilitation fees of 9% of the loan amount.

Material terms and conditions of the Winance Loan are included in the announcement released on 24 January 2020.

Placement

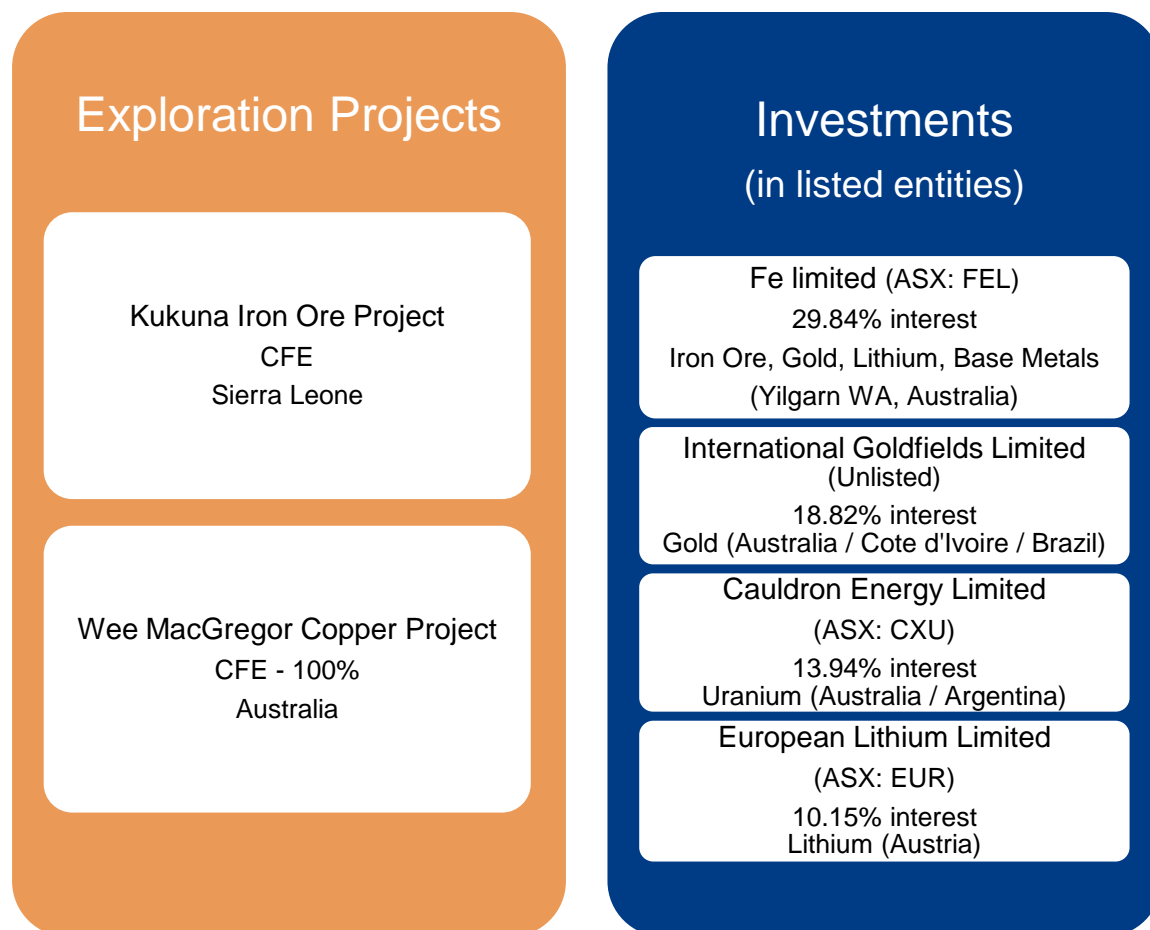
On 11 February 2020, the Company issued 20,000,000 shares at \$0.005 per share to raise funds of \$100,000. On the same day, the Company also issued 20,000,000 free attaching options with an exercise price of \$0.006 expiring on 30 June 2023. The Company also issued 1,200,000 options to the broker of the transaction.

Chairman's Contract Extension

During the quarter, the Company entered into a new consultancy agreement with Okewood Pty Ltd (**Okewood**) to provide the services of Chairman to Cape Lambert. An Addendum was entered into covering the period 31 October 2019 to 31 December 2019 based on a set fee of \$400,000 (plus GST) per annum. In addition, a three-year term (effective from 1 January 2020) consultancy contract was executed to provide the services of Chairman of the Company for a period of 3 years set fee of \$400,000 (plus GST) per annum. The revised set fee represents a 43% reduction from the previous fee.

Material terms and conditions of the contract are included in the announcement released on 11 February 2020.

Figure 1: Group Structure 31 March 2020



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.

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.

Mining International Pty Ltd

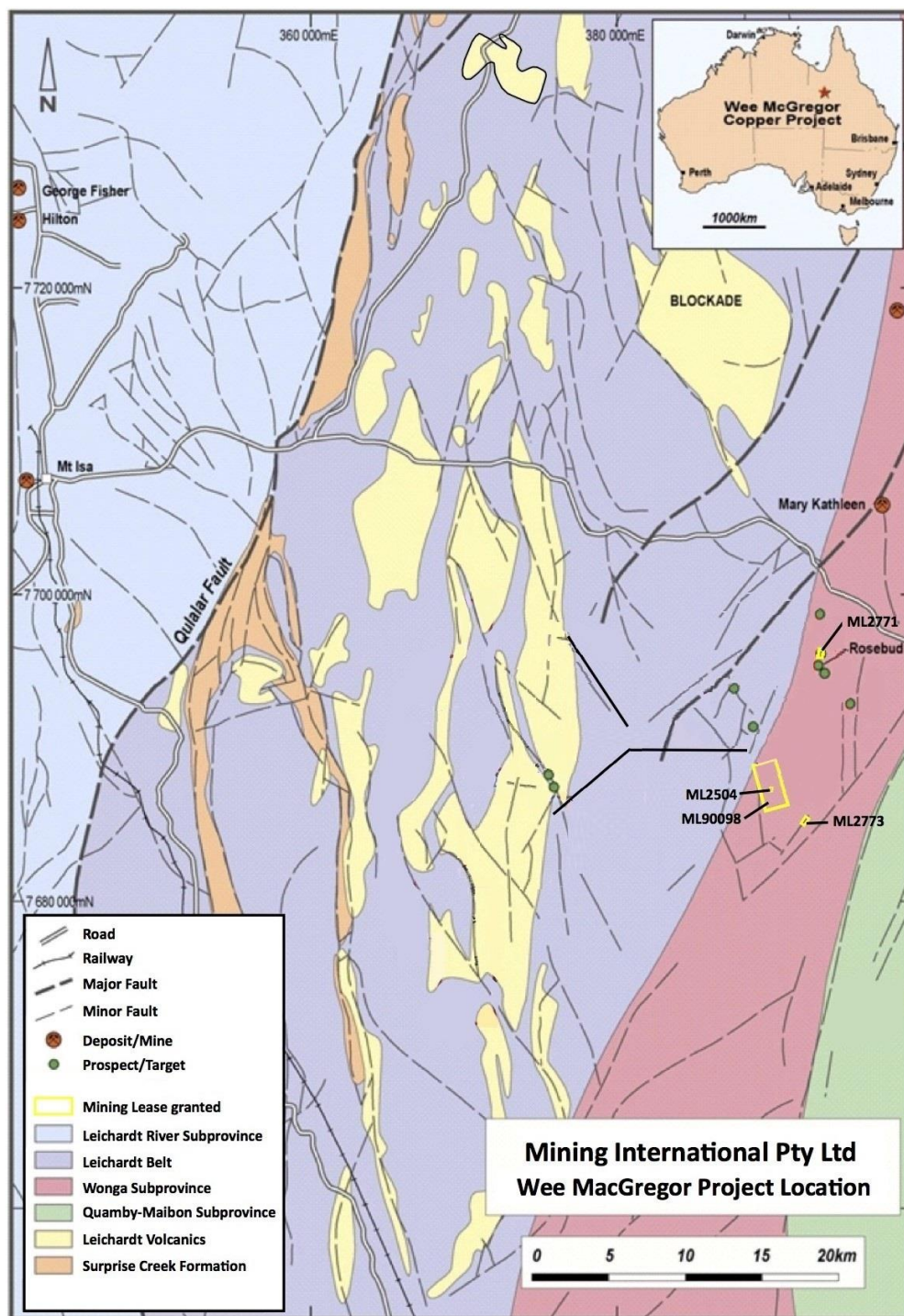
Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 2).

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



Announcement authorised for release by the Board of Cape Lambert.

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 or oil and gas exploration entity quarterly cash flow report

Name of entity

Cape Lambert Resources Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	11
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(175)*	(502)*
(b) development	-	-
(c) production	-	-
(d) staff costs	(12)	(38)
(e) administration and corporate costs	(734)	(902)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(75)	(75)
1.6 Income taxes paid	(520)	(781)
1.7 Government grants and tax incentives	-	-
1.8 Other (legal matters)	-	(124)
1.9 Net cash from / (used in) operating activities	(1,516)	(2,411)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	(4)	(4)
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(4)	(4)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	100	100
3.2	Proceeds from issue of convertible debt securities	-	1,200
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(28)	(211)
3.5	Proceeds from borrowings	2,200	2,200
3.6	Repayment of borrowings	(90)	(90)
3.7	Transaction costs related to loans and borrowings	(223)	(223)
3.8	Dividends paid	-	-
3.9	Other (Magna default payment)	(66)	(296)
3.10	Net cash from / (used in) financing activities	1,893	2,680

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	104*	210
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,516)	(2,411)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4)	(4)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,893	2,680

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	1
4.6	Cash and cash equivalents at end of period	476	476

* Adjustment to reconcile to 31 December 2019 accounts. Adjustment relates to in-country cash balance which had not been received at the time of releasing the December 2019 Appendix 5B.

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	476	104
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)	476	104

6. Payments to related parties of the entity and their associates

- | | | Current quarter
\$A'000 |
|-----|---|------------------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | 258 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Payments included in item 6.1 relates to payment of director fees (\$50k) and the payment to director-related parties for office occupancy (\$208k).

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	2,200	2,200
7.2 Credit standby arrangements	-	-
7.3 Other (Winance convertible note)	15,000	1,200
7.4 Total financing facilities	17,200	3,400

7.5 Unused financing facilities available at quarter end

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 31 July 2019, the Company entered into a Convertible Note Agreement with Winance Investment LLC (Winance) of which A\$1.2m (1,200 convertible notes of which 720 were subject to shareholder approval, which was subsequently received on 11 February 2020) was drawn down on 8 August 2019.

The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four (24) months after the issue date. The conversion price for each convertible note is the lower of an 10% discount from the lowest VWAP over twelve (12) days prior to the conversion date rounded down to the nearest 100th, provided that the conversion price shall not in any case be lower than \$0.005 (floor price).

Further drawdowns of drawdowns of A\$13.8m are at the Company's election available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period and prior approval by CFE's shareholders.

Refer to ASX announcement dated 31 July 2020 for material terms and conditions.

As at 31 March 2020, Winance had 680 convertible notes remaining.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,516)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(1,516)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	476
8.5 Unused finance facilities available at quarter end (Item 7.5)	-*
8.6 Total available funding (Item 8.4 + Item 8.5)	476
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.31

* Refer to section 7 for details on further drawdowns on the Winance facility.

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No. Expenditure in the current quarter reported under “administration and corporate costs” includes the repayment of creditors carried over from the December 2019 quarter following the receipts of funds under the Winance loan facility. The ongoing administration and corporate costs are substantially lower than this figure as a result of cost reduction measures which have been implemented by the Company.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Yes. The Company is progressing towards the reissuance of the relevant licences at the Marampa Iron Ore Project and developing the project. While this process is taking place, the Company has commenced discussions with potential off takers regarding the provision of prepayments or other development funding. Alternatively, the Company is considering undertaking a rights issue to its shareholders.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern based on the following factors:

- Raising additional funds (as outlined above)
- Directors have agreed to defer the payment of their Director fees until it completes a capital raising or secures an operational revenue stream
- Continued support from external creditors allowing for the deferred payment of certain liabilities
- Continued support from current debt holders of the Company
- Engagement with the ATO to request the deferment of instalment payments in light of the COVID-19 pandemic
- Realisation of certain of the Company’s unencumbered financial assets through the sale of its listed shares (if required)

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.

Date: 30 April 2020.....

Authorised by: Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.