

CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2016



CONTENTS

Corporate Directory	1
Directors' Report	2
Auditor's Independence Declaration	6
Consolidated Statement of Comprehensive Income	7
Consolidated Statement of Financial Position	8
Consolidated Statement of Changes in Equity	9
Consolidated Statement of Cash Flows	11
Notes to the Consolidated Financial Statements	12
Directors' Declaration	19
Independent Auditor's Review Report	20

CORPORATE DIRECTORY

Directors

Mr Tony Sage - Executive Chairman
Mr Tim Turner - Non-Executive Director
Mr Jason Brewer - Non-Executive Director

Company Secretary

Ms Melissa Chapman

Stock Exchange Listing

Australian Securities Exchange
ASX code: CFE

Website

www.capelam.com.au

Country of Incorporation

Australia

Registered Address

32 Harrogate Street
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Bankers

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Australian Public Relations

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Auditors

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Share Registry

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DIRECTORS' REPORT

Your Directors submit the financial report of Cape Lambert Resources Limited (**Cape Lambert** or **Company**) and its controlled entities (together the **Consolidated Entity**) for the half-year ended 31 December 2016.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Tony Sage
Timothy Turner
Jason Brewer

COMPANY SECRETARY

Melissa Chapman

REVIEW OF RESULTS AND OPERATIONS

Principal Activity

The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

There were no significant changes in the nature of the principal activity during the half-year.

Review of Operations

Corporate

A summary of the most significant transactions is set out below:

- During the period, European Lithium Ltd (ASX: EUR) (**Euro Lithium**), a company Cape Lambert owns a 15.26% interest in, listed on the Australian Securities Exchange by way of reverse takeover. Following the listing, Euro Lithium announced a resource upgrade at its 100% owned Wolfsberg lithium project which is located in Carinthia, 270 kilometers south of Vienna, Austria.
- On 26 August 2016, the Company entered into a new consultancy agreement with Okewood Pty Ltd (**Okewood**) to provide the services of Chairman of Cape Lambert.
- On 15 December 2016, the Company issued 23,500,000 unlisted options at \$0.05 each expiring on 31 December 2018 to Gulf Energy International Limited (**Gulf Energy**). These options were issued in accordance with the underwriting agreement executed between the Company and Gulf Energy in January 2016.

Project Information

As at 31 December 2016, the Company's key projects were as follows:

- Marampa Iron Ore Project (**Marampa** or **Marampa Project**) located in Sierra Leone;
- Kukuna Iron Ore Project (**Kukuna**) located in Sierra Leone;
- Cote D'Ivoire Gold Project (**Cote D'Ivoire**) located in Cote D'Ivoire;
- Wee McGregor Copper Project (**Wee McGregor**) located in Queensland, Australia.

The status of these assets during the half-year ending 31 December 2016 was as follows:

DIRECTORS' REPORT

Marampa

- The Marampa Project remained on care and maintenance.

Kukuna

- The Kukuna Project remained on care and maintenance.

Wee McGregor

- Argosy Minerals Limited (Argosy)(ASX: AGY) requested a 6 month extension to the Expenditure Period for meeting its expenditure commitments as required by the Farm-in Agreement. The extension was granted.
- In August 2016, the Company executed a Farm-in Agreement with Firebird Minerals Pty Ltd (Firebird) for tenement ML 2771. Firebird has conducted a sampling program and is investigating the possibility of developing a boutique mining operation by toll treating ore through the process plant of a nearby copper operation.
- In August 2016, the Company finalised a Cultural Heritage Management Agreement with the native title holders over ML2771.

The board intends to continue to follow its strategy of acquiring and investing 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 retaining a 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.

Result

The Consolidated Entity made a loss after income tax for the half-year ended 31 December 2016 of \$777,317 (31 December 2015: loss of \$12,691,805).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2016:

- On 13 February 2017, the Company announced that it had sold its 100% owned royalty, in the form of a deferred consideration deed, in the Mayoko iron ore project for A\$1,000,000 cash, subject to the formality of the new owners signing off the transaction.
- On 21 February 2017, the Company announced that it has entered into a binding heads of agreement with Congolese company, Paragon Mining SARL to form a 50/50 joint venture to develop the Kipushi Cobalt copper tailings project, the Kasombo copper-cobalt projects and operate the Kipushi processing plant in the Democratic Republic of Congo.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2016.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half -year ended 31 December 2016.

This report is signed in accordance with a resolution of the Board of Directors.



Tony Sage
Director

Dated this 15 day of March 2017

Auditor's Independence Declaration to the Directors of Cape Lambert Resources Limited

As lead auditor for the review of Cape Lambert Resources Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cape Lambert Resources Limited and the entities it controlled during the financial period.



Ernst & Young



G H Meyerowitz
Partner
15 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	For the six months ended	
		31 December 2016 \$	31 December 2015 \$
Revenue	4a	342,878	478,854
Other income	4b	152,227	301,765
Share based payments expense		(81,103)	(92,172)
Directors remuneration and employee benefits expenses		(641,012)	(836,188)
Consulting and professional services expenses		(672,768)	(474,959)
Occupancy expenses		(294,531)	(900,853)
Compliance and regulatory expenses		(133,407)	(103,247)
Travel and accommodation		(83,538)	(97,754)
Depreciation and amortisation expense		(185,398)	(349,021)
Gain/(loss) on fair value of financial assets through profit and loss		165,873	(87,648)
Exploration and evaluation expenditure		(1,224,998)	-
Impairment of capitalised exploration	8	-	(5,857,097)
Other expenses		(237,744)	(368,216)
(Reversal of)/impairment of investment in associate	9	2,678,748	(1,977,294)
Impairment of investment		-	(274,948)
Impairment of receivable		(67,460)	(185,838)
Impairment of loans	6b	(529,250)	(824,724)
Impairment of interest receivable		(178,200)	(84,516)
Impairment of fixed assets		-	(630,579)
Impairment of unlisted investment	7c	(30,000)	-
Share of net losses of associates accounted for using the equity method	9b	(1,252,834)	(327,370)
Net gain on dilution of interest in associates	9b	1,495,200	-
Loss before income tax		(777,317)	(12,691,805)
Income tax benefit / (expense)		-	-
Loss after income tax		(777,317)	(12,691,805)
Other comprehensive income/(expenditure) net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange differences arising on translation of foreign operations		(92,853)	865,109
Share of reserves of associate accounted for using the equity method	9b	99,367	159,156
Net fair value gain/(loss) on available for sale financial assets		(1,500)	500
Total comprehensive income / (loss) for the period		(772,303)	(11,667,040)
Loss after income tax attributable to:			
Members of Cape Lambert Resources Limited		(732,427)	(12,534,215)
Non-controlling interests		(44,890)	(157,590)
		(772,317)	(12,691,805)
Total comprehensive income / (loss) attributable to:			
Members of Cape Lambert Resources Limited		(727,413)	(11,509,450)
Non-controlling interests		(44,890)	(157,590)
		(772,303)	(11,667,040)
Loss per share attributable to members of Cape Lambert Resources Ltd			
Basic loss per share (cents per share)		(0.10)	(2.00)
Diluted loss per share (cents per share)		(0.10)	(2.00)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

		As at	
	Note	31 December 2016 \$	30 June 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	15	3,114,814	5,614,871
Restricted cash	5	12,500	1,001,470
Trade and other receivables	6	535,297	1,264,580
TOTAL CURRENT ASSETS		3,662,611	7,880,921
NON-CURRENT ASSETS			
Other financial assets	7	1,405,204	1,519,276
Investments accounted for using the equity method	9	4,556,370	1,371,805
Restricted cash	5	81,833	81,833
Plant and equipment		187,976	389,333
Exploration and evaluation expenditure	8	1,196	-
TOTAL NON-CURRENT ASSETS		6,232,579	3,362,247
TOTAL ASSETS		9,895,190	11,243,168
CURRENT LIABILITIES			
Trade and other payables		5,371,589	5,278,247
Application Funds		-	968,131
Provisions		155,323	558,916
TOTAL CURRENT LIABILITIES		5,526,912	6,805,294
NON CURRENT LIABILITIES			
Provisions		-	4,454
TOTAL NON CURRENT LIABILITIES		-	4,454
TOTAL LIABILITIES		5,526,912	6,809,748
NET ASSETS		4,368,278	4,433,420
EQUITY			
Issued capital	10	193,581,578	193,581,578
Reserves		23,350,279	23,054,799
Accumulated loss		(212,899,592)	(212,167,165)
Parent interests		4,032,265	4,469,212
Non-controlling interest		336,013	(35,792)
TOTAL EQUITY		4,368,278	4,433,420

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2016

	Issued Capital \$	Accumulated Loss \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Foreign Currency Translatio n Reserve \$	Business Combinatio n Reserve \$	Parent Equity Interest \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2016	193,581,578	(212,167,165)	2,434,680	1,750	22,007,507	(1,389,138)	4,469,212	(35,792)	4,433,420
Loss for the year	-	(732,427)	-	-	-	-	(732,427)	(44,890)	(777,317)
Other comprehensive income									
Share of associate's foreign currency translation reserve	-	-	-	-	99,367	-	99,367	-	99,367
Foreign exchange differences arising on translation of foreign operations	-	-	-	-	(92,853)	-	(92,853)	-	(92,853)
Other comprehensive income	-	-	-	(1,500)	-	-	(1,500)	-	(1,500)
Total comprehensive income for the half-year	-	(732,427)	-	(1,500)	6,514	-	(727,413)	(44,890)	(772,303)
Transactions with owners in their capacity as owners									
Share based payments	-	-	81,103	-	-	-	81,103	-	81,103
Increase in non-controlling interest	-	-	-	-	-	209,363	209,363	416,695	626,058
Transactions with equity holders in their capacity as equity holders	-	-	81,103	-	-	209,363	290,466	416,695	707,161
Balance at 31 December 2016	193,581,578	(212,899,592)	2,515,783	250	22,014,021	(1,179,775)	4,032,265	336,013	4,368,278

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2016

	Issued Capital \$	(Accumulated Loss) / Retained earnings \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Foreign Currency Translation Reserve \$	Business Combinatio n Reserve \$	Parent Equity Interest \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2015	189,786,328	(181,696,558)	2,079,450	-	21,116,525	(1,603,919)	29,681,826	76,596	29,758,422
Loss for the year	-	(12,534,215)	-	-	-	-	(12,534,215)	(157,590)	(12,691,805)
Other comprehensive income									
Share of associate's share based payments reserve	-	-	188,643	-	-	-	188,643	-	188,643
Share of associate's foreign currency translation reserve	-	-	-	-	(29,487)	-	(29,487)	-	(29,487)
Foreign exchange differences arising on translation of foreign operations	-	-	-	-	865,109	-	865,109	-	865,109
Other comprehensive income	-	-	-	500	-	-	500	-	500
Total comprehensive income for the half-year	-	(12,534,215)	188,643	500	835,622	-	(11,509,450)	(157,590)	(11,667,040)
Transactions with owners in their capacity as owners									
Share based payments	-	-	92,172	-	-	-	92,172	-	92,172
Increase in non-controlling interest	-	-	-	-	-	224,237	224,237	207,223	431,460
Transactions with equity holders in their capacity as equity holders	-	-	92,172	-	-	224,237	316,409	207,223	523,632
Balance at 31 December 2015	189,786,328	(194,230,773)	2,360,265	500	21,952,147	(1,379,682)	18,488,785	126,229	18,615,014

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	For the six months ended	
		31 December 2016	31 December 2015
		\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,129,566)	(2,438,490)
Payments for exploration and evaluation		(1,157,867)	-
Interest received		24,715	52,101
Net cash used in operating activities		(3,262,718)	(2,386,389)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation	8	(1,196)	(2,777,984)
Proceeds from sale of property, plant and equipment		42,533	-
Purchase of equity investments	7a	(100,000)	(30,000)
Payment for acquiring interest in associated entity		(164,085)	-
Payment on subscription to convertible loan notes		-	156,750
Proceeds from sale of equity investments		340,000	201,270
Repayment of loans received		-	40,000
Net cash from / (used in) investing activities		117,252	(2,409,964)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue of subsidiary		645,409	-
Proceeds from issuing loan note		-	431,460
Net cash provided by financing activities		645,409	431,460
Net decrease in cash and cash equivalents		(2,500,057)	(4,364,896)
Cash and cash equivalents at beginning of period		5,614,871	9,033,714
Foreign exchange difference		-	21,208
Cash and cash equivalents at end of period	15	3,114,814	4,690,026

The accompanying notes form part of this financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION***General Information***

This general purpose condensed financial report for the half-year ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of Directors on 15 March 2017.

Cape Lambert Resources Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded in the ASX. The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

This half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2016 and any public announcements made by Cape Lambert Resources Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

Going Concern

The consolidated financial statements of Cape Lambert have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2016 the Consolidated Entity had cash and cash equivalents of \$3,114,814 (30 June 2016: \$5,614,871) and net current liabilities of \$1,864,301 (30 June 2016: net current assets of \$1,075,627).

Whilst sufficient cash is available to meet general and administrative requirements in the short term, the ability of the Group to fulfil its proposed activities in the next 12 months will likely depend on the realisation of certain of the Group's assets, including deferred consideration and loans receivable, for which recovery is not a certainty. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Consolidated Entity will be able to continue its planned operations and the Consolidated Entity will be able to meet its obligations as and when they fall due because the directors are confident that the Consolidated Entity will be able to realise certain of its assets or seek alternative sources of funding if required.

Should the Consolidated Entity not achieve the matters set out above, there is uncertainty whether the Consolidated Entity would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended accounting standards and interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2016. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

New accounting standards and interpretations issued but yet effective

The Company has not elected to early adopt any new accounting standards and interpretations.

Significant estimates and judgments

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Refer to the most recent annual financial report for the year ended 30 June 2016 for a discussion of the significant estimates and judgments.

2. SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Group as one operating segment, as the Group's activities relate to mineral exploration.

Accordingly, the Group has only one reportable segment and the results are the same as the Group results.

3. INCOME TAXES

Major components of income tax expense for the period are:

Income statement

Current income

Current income tax charge / (benefit)
Income tax (benefit) / expense reported in income statement

	31 December 2016	31 December 2015
	-	-
	-	-

Statement of changes in equity

Income tax expense reported in equity

	31 December 2016	30 June 2016
	\$	\$
	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

Tax losses	64,614,054	61,667,892
@ 30%	19,384,216	18,500,368

Certain tax positions taken by the Group in the 2010 to 2015 financial years are under review by the Australian Taxation Office.

4. PROFIT FROM OPERATIONS

(a) Revenue

Interest
Rental revenue

	31 December 2016	31 December 2015
	\$	\$
	68,321	169,609
	274,557	309,245
	342,878	478,854

(b) Other income

Foreign currency gain / (loss)
Other

	(20,847)	22,435
	173,074	279,330
	152,227	301,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. RESTRICTED CASH	31 December 2016 \$	30 June 2016 \$
Current		
Term deposits	12,500	33,339
Application funds	-	968,131
	<u>12,500</u>	<u>1,001,470</u>
Movement		
Brought forward	1,001,470	32,754
Application funds received by Fe Limited	-	1,189,109
Application funds refunded by Fe Limited	(968,131)	(220,978)
Payment of restricted cash in relation to office bond	(20,839)	-
Exchange differences	-	585
	<u>12,500</u>	<u>1,001,470</u>
Non current		
Term deposits	<u>81,833</u>	<u>81,833</u>

Restricted cash relates to term deposits, which are not readily accessible to the Consolidated Entity, held with financial institutions as security for bank guarantees issued to:

- (a) Environmental regulatory departments in respect of the potential rehabilitation of exploration areas; and
- (b) Landlords of leased properties.

6. TRADE AND OTHER RECEIVABLES	31 December 2016 \$	30 June 2016 \$
Trade and other receivables – current		
Trade debtors	3,540,785	3,537,427
Deferred consideration receivable (a)	2,500,000	2,500,000
GST recoverable and other debtors	79,307	93,458
Prepayments	373,212	369,379
Interest receivable	-	146,150
Loans receivable (b)	-	529,250
Allowance for doubtful debts	(5,958,007)	(5,911,129)
	<u>535,297</u>	<u>1,264,580</u>

(a) Deferred consideration receivable payable on the achievement of a production milestone. This receivable was provided for in full as at 31 December 2016.

(b) Current loans receivable at balance date are made up as follows:

	Interest rate	Carrying value of loans	
		31 December 2016 \$	30 June 2016 \$
Current			
Loan of \$200,000 and US\$150,000	10.0%	419,184	419,184
Convertible loan note of \$250,250	15.0%	159,250	159,250
Loan of \$370,000	10.0%	370,000	370,000
Loan of USD\$8,000,000	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		<u>11,395,634</u>	11,395,634
Impairment of receivables		(11,395,634)	(10,866,384)
Current carrying value at amortised cost at balance date		<u>-</u>	<u>529,250</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reconciliation of movement in loans receivable

	6 Months to 31 December 2016 \$	Year ended 30 June 2016 \$
Opening balance	529,250	1,589,694
Payment on subscription to/(receipts from) convertible loan notes	-	(156,750)
Loans advanced/interest accrued	-	115,750
Repayment of loans	-	(200,000)
Conversion of convertible loan notes	-	(810,500)
Impairment of loans receivable	(529,250)	(19,184)
Foreign exchange movements	-	10,240
Current carrying value at amortised cost at balance date	-	529,250

7. OTHER FINANCIAL ASSETS

	31 December 2016 \$	30 June 2016 \$
Non-Current		
<i>Financial Assets at Fair value through Profit or Loss</i>		
Shares in listed entities (a)	1,335,204	1,350,477
Call Options	-	68,799
	<u>1,335,204</u>	<u>1,419,276</u>
<i>Financial Assets Available-for-sale</i>		
Shares in unlisted entity (b)	70,000	100,000
Total Financial Assets	<u><u>1,405,204</u></u>	<u><u>1,519,276</u></u>

(a) Movements in the carrying amount of the non-current shares in listed entities

	6 Months to 31 December 2016 \$	Year ended 30 June 2016 \$
Brought forward	1,350,477	1,515,864
Purchase of equity investments	100,000	30,000
Reclassification of financial asset at fair value through profit or loss to associate	-	(332,172)
Issue of shares as a result of conversion of interest on loan	11,555	-
Gain/(Loss) on fair value of financial assets through profit and loss	145,873	324,621
Exercise of call option	68,799	-
Disposal of equity investments	(340,000)	(189,586)
Other	(1,500)	1,750
	<u>1,335,204</u>	<u>1,350,477</u>

(b) Movements in the carrying amount of the shares in unlisted entities

	6 Months to 31 December 2016 \$	Year ended 30 June 2016 \$
Brought forward – at cost less impairment	100,000	100,000
Impairment of investment	(30,000)	-
	<u>70,000</u>	<u>100,000</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. EXPLORATION AND EVALUATION EXPENDITURE	6 Months to 31 December 2016 \$	Year ended 30 June 2016 \$
Exploration and evaluation phases	1,196	-
Movement in carrying amounts		
Brought forward	-	15,683,601
Exploration and evaluation expenditure capitalised	1,196	6,740,613
Exploration assets divested during the year	-	(456,543)
Exploration expenditure impaired during the period	-	(3,295,324)
Exploration expenditure de-recognised during the period	-	(19,116,791)
Foreign currency gains / (losses)	-	444,444
Total exploration and evaluation phases	1,196	-

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Certain of Cape Lambert's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

9. INVESTMENTS IN ASSOCIATED ENTITIES	31 December 2016 \$	30 June 2016 \$
Investments in associates accounted for using the equity method	4,556,370	1,371,805

(a) Investment details

	Percentage held at balance date		31 December 2016 \$	30 June 2016 \$
	31 Dec 2016	30 June 2016		
Cauldron Energy Limited ¹	15.9	14.6	1,150,766	1,205,718
European Lithium Limited ^{1,2}	15.2	26.2	3,405,604	-
International Goldfields Limited	21.4	21.4	-	166,087
			4,556,370	1,371,805

¹ Although the Company holds less than a 20% interest, these investments are equity accounted given the significant influence the Company has through Mr Sage's role on the Boards of these companies and the interchange of management personnel.

² During the period, European Lithium Ltd listed on the Australian Securities Exchange by way of reverse takeover.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Movements in the carrying amount of the investment in associates

	31 December 2016	30 June 2016
	\$	\$
Balance at beginning of period	1,371,805	3,629,855
Purchase of shares	164,084	14,089
Conversion of convertible loan notes	-	1,284,168
Share of losses of associates recognised during the period	(1,252,834)	(625,774)
Share of reserves of associates recognised during the period	99,367	164,843
Reclassification of financial asset at fair value through profit or loss to associate	-	332,173
Net gain on dilution of interest in associates	1,495,200	-
(Reversal of) / impairment of investment in associate ¹	2,678,748	(3,427,549)
	4,556,370	1,371,805

¹ During the period the Company reversed previously recognised impairment on the investment in unlisted entity European Lithium Limited as the Company assessed that the conditions that gave rise to the impairment had reversed due to European Lithium Limited listing on the Australian Securities Exchange by way of a reverse takeover. The reversal of impairment represented the previously recognised impairment, net of the Company's share of European Lithium Limited's losses not recognised during the period that the investment was impaired.

10. ISSUED CAPITAL

	31 December 2016	30 June 2016
	\$	\$
720,686,586 fully paid ordinary shares (30 June 2016: 720,686,586)	193,581,578	193,581,578

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

11. CONTINGENT ASSET

Contingent asset for future royalties payable from the Mayoko Iron Ore Project

In March 2012, Johannesburg Stock Exchange listed Exxaro Resources Limited completed a takeover offer for all of the shares and listed options in African Iron Limited, a company in which the Company held 126,700,000 shares, delivering \$72.2 million in cash to the Company. African Iron Limited owns the Mayoko Iron Ore Project which is located in the Republic of Congo (**Mayoko Project**). As part of the takeover transaction, the Company retains a production royalty of AUD\$1.00 (indexed annually to the CPI) per tonne of iron ore shipped from the Mayoko Project (**Mayoko Royalty**). On 13 February 2017, the Company announced that it had sold the Mayoko Royalty for A\$1,000,000 cash, subject to the formality of the new owners signing off the transaction. As at 31 December 2016, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

12. RELATED PARTY TRANSACTIONS

On 26 August 2016, the Company entered into a new consultancy agreement with Okewood Pty Ltd (**Okewood**), a company owned by Tony Sage, to provide the services of Chairman of Cape Lambert.

There were no other significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2016 annual financial report.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL INSTRUMENTS

Financial Instruments

Set out below is an overview of financial instruments held by the Group:

	31 December 2016 \$	30 June 2016 \$
Financial assets:		
Cash and cash equivalents	3,114,814	5,614,871
Restricted cash	94,333	1,083,303
Trade and other receivables	535,297	1,264,580
Other financial assets	1,405,204	1,519,276
	5,149,648	9,482,030
Financial liabilities:		
Trade and other payables	5,371,589	5,278,247
Application funds	-	968,131
	5,371,589	6,246,378

(a) Fair Value Estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values as the carrying value less impairment provision of trade receivables / other receivables and payables are assumed to approximate their fair values due to their short-term nature.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Consolidated Entity's assets measured at fair value at 31 December 2016.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
<i>Financial assets at Fair value through Profit and Loss</i>				
Shares in listed entities	1,335,204	-	-	1,335,204
	1,335,204	-	-	1,335,204

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2016.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets:				
<i>Financial assets at Fair value through Profit and Loss</i>				
Shares in listed entities	1,350,477	-	-	1,350,477
	1,350,477	-	-	1,350,477

14. EVENTS SUBSEQUENT TO REPORTING DATE

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following significant events and transactions have taken place subsequent to 31 December 2016:

- On 13 February 2017, the Company announced that it had sold its 100% owned royalty, in the form of a deferred consideration deed, in the Mayoko iron ore project for A\$1,000,000 cash, subject to the formality of the new owners signing off the transaction.
- On 21 February 2017, the Company announced that it has entered into a binding heads of agreement with Congolese company, Paragon Mining SARL to form a 50/50 joint venture to develop the Kipushi Cobalt copper tailings project, the Kasombo copper-cobalt projects and operate the Kipushi processing plant in the Democratic Republic of Congo.

15. NOTE TO THE CASH FLOW STATEMENT**(a) Reconciliation of Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	31 December 2016	31 December 2015
	\$	\$
<i>Cash and cash equivalents</i>		
Cash in banks and on hand	3,114,814	4,690,026
Deposits at call	-	-
Cash and cash equivalents per consolidated statement of cash flows	3,114,814	4,690,026
Less: cash and cash equivalents classified as held for sale	-	-
Cash and cash equivalents per consolidated statement of financial position	3,114,814	4,690,026

(b) Non-Cash Activities***Current year***

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2016.

Prior year

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2015.

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) The financial statements and notes of the Consolidated Entity for the half-year ended 31 December 2016 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001

(b) Subject to the matters set out in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Tony Sage
Director

Dated this 15 day of March 2017

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Cape Lambert Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cape Lambert Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cape Lambert Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

Without qualifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



Ernst & Young



G H Meyerowitz
Partner
Perth
15 March 2017