CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2017

CONTENTS

CORPORATE DIRECTORY

Directors
Mr Tony Sage - Executive Chairman
Mr Tim Turner - Non-Executive Director
Mr Jason Brewer - Non-Executive Director (Resigned effective 28 February 2018)
Mr Stefan Muller – Non-Executive Director (Appointed effective 1 January 2018)

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
West Leederville, WA 6007
Australia
Tel: +61 8 9380 9555

Bankers
National Australia Bank
100 St George's Terrace
Perth, WA 6000

Auditors
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
Tel: +61 8 6382 4600
Fax: +61 8 6382 4601

Share Registry
Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace
Perth, WA 6000
AUSTRALIA
Tel: 1300 85 05 05 (Australia)
+61 3 9415 4000 (Overseas)

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 2017.

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 – Resigned effective 28 February 2018
Stefan Muller – Appointed effective 1 January 2018

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:

- On 5 December 2017, the Company announced the appointment of Mr Stefan Muller with effect from 1 January 2018.

- On 30 October 2017, the Company issued 37,500,000 shares to raise funds of $1,060,000 and settle liabilities of $65,000. On 6 November 2017, the Company issued 200,000 shares to raise funds of $6,000. On 18 December 2017 the Company issued 2,905,450 shares to settle a liability to a creditor of the Company.

- During the period, the Company's investment in European Lithium Ltd (ASX: EUR) (**Euro Lithium**) increased as a result of the rising share price in Euro Lithium. Euro Lithium owns 100% of the Wolfsberg lithium project which is located in Carinthia, 270 kilometres south of Vienna, Austria. As at the date of this report, the Company owns a 12.04% interest in Euro Lithium.

- On 13 July 2017, the Company announced that it had executed a binding term sheet with Fe Limited (**FEL**) whereby Cape Lambert will assign to FEL 100% of the rights and obligations to the Kasombo Copper-Cobalt Project (**Kasombo Transaction**) in the DRC. On 3 November 2017, the Kasombo Transaction was approved at a general meeting by the Company's shareholders. On 6 November 2017, the Company was issued 25m shares in FEL pursuant to the terms of the Kasombo Transaction. As at the date of this report, the Company owns a 39.63% interest in FEL.

- On 7 July 2017, the Company provided an update in relation to the legal action taken in relation to the Timis Mining Corporation bridging finance. The Company announced that the High Court of Sierra Leone issued a Court Order in relation to the Notice of Motion lodged by the Plaintiff, which ordered the Parties to proceed to Arbitration if desired, refused the 4th Defendant's application for a stay of proceedings and maintained the interlocutory injunction against the 1st, 2nd and 3rd Defendants that prevents liquidating the 4th Defendant's company, pending the hearing and determination of the matter. The Company is presently in discussions with the Defendants in regard to proceeding to Arbitration.

- During the period, the Company has been in advanced negotiations with the Commissioner of Taxation (**Commissioner**) regarding various taxation matters, covering the 2011-2015 income years (**Audit Matters**). The key issue in dispute is the tax treatment of the disposal of certain assets. The Company has entered into a binding heads of agreement with the Commissioner in order to reach a negotiated settlement of the Audit Matters. The Company and Commissioner continue to work on the formal deed.

Project Information

As at 31 December 2017, the Company's key projects were as follows:

- Marampa Iron Ore Project (**Marampa Project**) located in Sierra Leone
- Kukuna Iron Ore Project (**Kukuna Project**) located in Sierra Leone
- Wee McGregor Copper Project (**Wee McGregor**) located in Queensland, Australia
- Kipushi Tailings Project (**Kipushi Project**) located in the Democratic Republic of Congo
- Kasombo Copper/Cobalt project (**Kasombo Project**) located in the Democratic Republic of Congo
- Kitwe Tailings Project (**Kitwe Project**) located in Zambia

The status of these assets during the half-year ending 31 December 2017 was as follows:

<u>Marampa</u>

- The Marampa Project remained on care and maintenance.

<u>Kukuna</u>

- The Kukuna Project remained on care and maintenance.

<u>Wee McGregor</u>

- Cohiba Minerals Limited (**Cohiba**) notified the market that it had completed the acquisition of all the issues shares in Cobalt-X and that it will target high grade copper-cobalt mineralization at Wee MacGregor (ML2504, ML2772 and ML90097 - refer Cohiba ASX announcements dated 24 July 2017).
- Cohiba also announced on 7 August 2017 the results from preliminary (Niton-XRF) rock chip sampling indicating the high copper and cobalt grades at several locations both within the existing resource area and at satellites or extensions, including:
  - 14.2% Cu and 0.12% Co at Rosebud;
  - 45.38% Cu and 1.88% Co with the resource area; and
  - 7.45% Cu and 0.94% Co as Wee MacGregor South,

  (refer Cohiba ASX announcement dated 7 August 2017).
- The Cultural Heritage and Management Agreement (**CHMA**) for MLs 2504, 2773 and 90098 was finalized and executed by the Kalkadoon Native Title Claimants (**Kalkadoon**).
- During December 2017, Cohiba requested the Kalkadoon undertake a heritage survey for a proposed small drilling programme planned for 2018. A budget and schedule for the survey by the Kalkadoon is awaited.

<u>Kipushi Project</u>

- Axis House conducted flotation testwork on tailings samples using various process parameters and conditions to determine copper and cobalt grades against recoveries. The testwork produced a saleable concentrate ranging between 10% to 12% Copper and 1.8% to 2% Cobalt with recoveries of approximately 75% and 50%

respectively achieved. Further optimization work is planned for improvement of the Cobalt grade and recovery.

- The Company's UK-based strategic advisor Metals Risk Management Limited engaged with several major international trading groups based in Switzerland, the United States and Europe for potential concentrate offtake agreements. The Company has Axis House generating concentrate samples for dispatch to the various trading groups so that they can perform their own analysis on the concentrate prior to determining the terms of any offtake agreement. Due to the number and weights of samples requested by Traders it will take Axis House some time to generate the quantity of requested samples. One sample was dispatched to a trader late December 2017 and it is targeted to dispatch the remaining samples in January and February 2018.

Kasombo Project

- In July 2017, the Company engaged the local branch of SRK Consulting (**SRK**) to conduct a review of historical information available for the Kasombo area and to undertake geological mapping over the project area. As the work completed by SRK was deemed unsatisfactory and due to its personnel issues at that time, the Company cancelled the contract with SRK.
- On 3 November 2017 at a General Meeting of Shareholders, the Shareholders approved the assignment of the Company rights and obligations to the Kasombo Project to FE Limited (**FEL**). The Company retains an ongoing interest in the Kasombo Project via its 39.63% shareholding in FEL.

Fe Limited

- Mapping works over the Kasombo area were completed during November 2017. The mapping revealed two styles of mineralization: the first conforming to mineralization typical of deposits of the Katanga Copper Belt; the second showing cross-cutting breccia style, providing potential to significantly increase deposit size. Twenty samples collected during the mapping exercise were analyzed by ALS Laboratories which have returned high grade cobalt assays, with the highest grade assays being 6.99% cobalt (sample A2914) and 1.57% cobalt (sample A2916) (refer ASX announcement dated 17 December 2017).
- During December 2017, a small 300m RC drill programme was completed, in order to test depth and grades of the oxide zones of Kasombo 5 and Kasombo 6. Samples were dispatched to the laboratory of ALS Laboratories for assay analysis.

Kitwe Project

- On 22 May 2017, the Company announced that it had executed a binding terms sheet to conditionally acquire 70% of the shares in Zambian entity Australian Mining Company Zambia Limited (**AMCZL**), which is the holder of exploration licence No 21853-HQ-SEL (**Kitwe Project**) (**Acquisition**).
- After several extension requests by the Seller, the Share Sale Agreement was finally executed on 4 December 2017, with completion of the Acquisition expected early January 2018.
- Subsequent to the execution of the terms sheet, AMCZL lodged an Environmental Project Brief (**EPB**) with the Zambia Environmental Management Agency (**ZEMA**), which is needed for the exploration work to commence (a Decision Letter by ZEMA was issued 4 January 2018 approving the EPB).
- The Company is arranging for Tailings samples to be dispatched to the laboratory of Mintek in South Africa for metallurgical testing, which is targeted to commence early in Q1 2018.

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 2017 of $1,234,103 (31 December 2016: loss of $777,317).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2017:

- On 12 March 2018, the Company announced that it would be undertaking a placement of up to 37,036,361 fully paid ordinary shares at an issue price of $0.055 per shares to raise proceeds of up to $2 million (before expenses) (**Placement**). As part of the Placement, the Company will also be issuing one free attaching unquoted option for every two shares applies for under the Placement as well as issuing 5 million options to facilitators of the Placement which are exercisable at $0.07 (7 cents) expiring 2 years from the date of issue (**Placement Options**). On the same day, the company issued 30,673,725 ordinary shares and 15,336,363 Placement Options. The Company is expecting to issue any remaining shares and Placement Options pursuant to the Placement in the very near future.
- On 16 February 2018, the Company announced the resignation of Mr Jason Brewer with effect from 28 February 2018.
- On 19 February 2018, the joint venture company Soludo-Lambert Mining SAS was incorporated.
- On 19 February 2018, the Company announced that it had received $500,000 in cash with the remaining $500,000 to be received as a deferred consideration regarding the sale of its 100% owned royalty in the Mayoko iron ore project.
- On 8 January 2018, 16 February 2018 and 28 February 2018, the Company provided updates to the market regarding the announcement made by FE Limited in relation to drilling and assay results at the Kasombo Project.
- On 5 February 2018, the Company announced the appointment of Mr Philippe Bouchart as the General Manager of the Company's DRC based joint venture company Soludo-Lambert Mining SAS.
- On 6 February 2018, the Company announced the appointment of South African based engineering consulting firm GWCH Consulting Pty Ltd to complete the detailed engineering review of the Kipushi Processing Plant on behalf of the Company's DRC based joint venture company Soludo-Lambert Mining SAS.
- On 11 January 2018, the Company provided the market with an update regarding the acquisition of 70% of the Kitwe Tailing Project in Zambia.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2017.

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 2017.

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

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Tony Sage
Director

Dated this 16 day of March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH 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 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

2. 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 period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 16 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	Note	For the six months ended 31 December 2017 $	31 December 2016 $
Revenue	3a	**198,521**	342,878
Other income	3b	**154,556**	152,227
Share based payments expense		**-**	(81,103)
Directors remuneration and employee benefits expenses		**(170,176)**	(641,012)
Consulting and professional services expenses		**(827,863)**	(672,768)
Occupancy expenses		**(373,193)**	(294,531)
Compliance and regulatory expenses		**(194,656)**	(133,407)
Travel and accommodation		**(73,249)**	(83,538)
Depreciation and amortisation expense		**(15,823)**	(185,398)
Gain/(loss) on fair value of financial assets through profit and loss		**192,062**	165,873
Exploration and evaluation expenditure	7	**(1,066,174)**	(1,224,998)
Other expenses		**(593,594)**	(237,744)
Reversal of/(impairment) of investment in associate	8	**66,180**	2,678,748
Reversal of/(impairment) of receivable		**160,492**	(67,460)
Impairment of loans	5b	**-**	(529,250)
Impairment of interest receivable		**-**	(178,200)
Impairment of unlisted investment	6b	**-**	(30,000)
Share of net profits/(losses) of associates accounted for using the equity method	8b	**441,183**	(1,252,834)
Net gain on dilution of interest in associates	8b	**867,631**	1,495,200
Loss before income tax		**(1,234,103)**	(777,317)
Income tax benefit / (expense)		**-**	-
Loss after income tax		**(1,234,103)**	(777,317)
Other comprehensive income/(expenditure) net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences arising on translation of foreign operations		**41,575**	(92,853)
Share of reserves of associate accounted for using the equity method	8b	**104,738**	99,367
Net fair value gain/(loss) on available for sale financial assets		**-**	(1,500)
Total comprehensive income / (loss) for the period		**(1,087,789)**	(772,303)
Loss after income tax attributable to:			
Members of Cape Lambert Resources Limited		**(1,056,976)**	(732,427)
Non-controlling interests		**(177,127)**	(44,890)
		(1,234,103)	(772,317)
Total comprehensive income / (loss) attributable to:			
Members of Cape Lambert Resources Limited		**(910,663)**	(727,413)
Non-controlling interests		**(177,127)**	(44,890)
		(1,087,790)	(772,303)
Loss per share attributable to members of Cape Lambert Resources Ltd			
Basic loss per share (cents per share)		**(0.12)**	(0.10)
Diluted loss per share (cents per share)		**(0.12)**	(0.10)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMEBER 2017

	Note	As at 31 December 2017 $	30 June 2017 $
CURRENT ASSETS			
Cash and cash equivalents	13	**577,804**	1,110,287
Restricted cash	4	**774,546**	104,617
Trade and other receivables	5	**351,586**	788,077
TOTAL CURRENT ASSETS		**1,703,936**	2,002,981
NON-CURRENT ASSETS			
Other financial assets	6	**1,400,250**	1,208,188
Investments accounted for using the equity method	8	**7,278,895**	3,417,907
Restricted cash	4	**81,833**	81,833
Plant and equipment		**110,260**	131,033
Deferred expenses		**-**	2,715,801
Exploration and evaluation expenditure	7	**437,529**	33,551
TOTAL NON-CURRENT ASSETS		**9,308,767**	7,588,313
TOTAL ASSETS		**11,012,703**	9,591,294
CURRENT LIABILITIES			
Trade and other payables		**6,823,889**	6,608,125
Application Funds		**730,000**	60,000
Provisions		**209,859**	334,841
Provision for income tax	14	**5,227,739**	5,227,739
TOTAL CURRENT LIABILITIES		**12,991,487**	12,230,705
NON CURRENT LIABILITIES			
Provisions		**-**	-
TOTAL NON CURRENT LIABILITIES		**-**	-
TOTAL LIABILITIES		**12,991,487**	12,230,705
NET ASSETS/(LIABILITIES)		**(1,978,784)**	(2,639,411)
EQUITY			
Issued capital	9	**198,018,794**	196,771,578
Reserves		**23,556,083**	23,320,641
Accumulated loss		**(224,005,672)**	(222,948,696)
Parent interests		**(2,430,795)**	(2,856,477)
Non-controlling interest		**452,011**	217,066
TOTAL EQUITY/(DEFICIENCY IN EQUITY)		**(1,978,784)**	(2,639,411)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2017

	Issued Capital $	Accumulated Loss $	Share Based Payment Reserve $	Available for Sale Reserve $	Foreign Currency Translation Reserve $	Business Combination Reserve $	Parent Equity Interest $	Non-controlling Interest $	Total $
Balance at 1 July 2017	**196,771,578**	**(222,948,696)**	**2,167,905**	**-**	**22,332,366**	**(1,179,630)**	**(2,856,477)**	**217,066**	**(2,639,411)**
Loss for the year	-	(1,056,976)	-	-	-	-	(1,056,976)	(177,127)	(1,234,103)
Other comprehensive income									
Share of reserves of associate accounted for using the equity method	-	-	39,676	-	65,062	-	104,738	-	104,738
Foreign exchange differences arising on translation of foreign operations	-	-	-	-	41,575	-	41,575	-	41,575
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the half-year	-	(1,056,976)	39,676	-	106,637	-	(910,663)	(177,127)	(1,087,790)
Transactions with owners in their capacity as owners									
Share based payments	-	-	-	-	-	-	-	-	-
Shares issued during the period	1,247,216	-	-	-	-	-	1,247,216	-	1,247,216
Movement in non-controlling interest	-	-	-	-	-	89,129	89,129	412,072	501,201
Transactions with equity holders in their capacity as equity holders	1,247,216	-	-	-	-	89,129	1,336,347	412,072	1,748,417
Balance at 31 December 2017	**198,018,794**	**(224,005,672)**	**2,207,581**	**-**	**22,439,003**	**(1,090,501)**	**(2,430,795)**	**452,011**	**(1,978,784)**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2017

	Issued Capital $	(Accumulated Loss) / Retained earnings $	Share Based Payment Reserve $	Available for Sale Reserve $	Foreign Currency Translation Reserve $	Business Combination 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 CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	For the six months ended 31 December 2017 $	31 December 2016 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(1,874,524)**	(2,129,566)
Payments for exploration and evaluation		**(860,851)**	(1,157,867)
Interest received		**4,944**	24,715
Net cash used in operating activities		**(2,730,431)**	(3,262,718)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation	7	**-**	(1,196)
Proceeds from sale of property, plant and equipment		**4,950**	42,533
Purchase of equity investments		**-**	(100,000)
Payment for acquiring interest in associated entity	6a	**(14,850)**	(164,085)
Investment in joint venture		**(32,035)**	-
Proceeds from sale of equity investments		**723,883**	340,000
Repayment of loans received		**-**	-
Net cash from / (used in) investing activities		**681,948**	117,252
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue of subsidiary		**-**	645,409
Proceeds from share issue		**1,066,000**	-
Proceeds from repayment of loan		**450,000**	-
Net cash provided by financing activities		**1,516,000**	645,409
Net decrease in cash and cash equivalents		**(532,483)**	(2,500,057)
Cash and cash equivalents at beginning of period		**1,110,287**	5,614,871
Foreign exchange difference		**-**	-
Cash and cash equivalents at end of period	13	**577,804**	3,114,814

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

General Information

This general purpose condensed financial report for the half-year ended 31 December 2017 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 16 March 2018.

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 2017 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 2017 the Consolidated Entity had cash and cash equivalents of $577,804 (30 June 2017: $1,110,287) and a deficiency of current assets to current liabilities of $11,287,551 (30 June 2017: net deficiency of current assets of $10,227,724).

These conditions indicate a material uncertainty that may cast a significant doubt about the Group’s ability to continue as a going concern, and therefore that it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

On 12 March 2018 the Company announced that it will be undertaking a placement of up to 37,036,361 fully paid ordinary shares to raise proceeds of up to approximately $2 million (before expenses). On the same day, the Company issued 30,672,725 fully paid ordinary shares in respect of cash funds received of $1,687,000. The remaining balance of shares is expected to occur in the very near future upon receipt of the remaining placement funds of $350,000.

The Company’s current flagship project is the Kipushi Cobalt-Copper Tailings Project in the Democratic Republic of Congo (**DRC**). In June 2017 the Company appointed UK-based strategic advisor Metals Risk Management Limited to assist it with finalising it concentrate offtake and funding arrangements for its DRC based copper-cobalt projects. Metals Risk Management is a specialist risk advisory company providing independent guidance on price risk management, including concentrate offtake agreements and sales and commodity linked funding structures. Following discussions with trading companies, samples have been collected and dispatched to trading companies with additional samples in the process of being dispatched to further companies. Once the trading companies have completed their own analysis, terms for potential offtake agreements will be discussed.

The ability of the Group to fulfil its proposed activities, including exploration commitments in the next 12 months will depend on the following factors:

a. The ability to issue additional shares under the *Corporations Act (Cth) 2001* to raise further working capital; and/or
b. Realisation of certain of the Group’s assets; and/or

c. Negotiations with third parties regarding offtake financing arrangements (as outlined above); and/or
d. The ability to raise financing through the introduction of a strategic investor.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the directors are confident that the Group will be able to realise certain of its assets and/or seek alternative sources of funding as outlined above.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group 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 Group 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 2017. The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

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 2017 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. PROFIT/(LOSS) FROM OPERATIONS

	31 December 2017 $	31 December 2016 $
(a) Revenue		
Interest	**4,944**	**68,321**
Rental revenue	**193,577**	**274,557**
	198,521	**342,878**
(b) Other income		
Foreign currency gain / (loss)	**(9,576)**	**(20,847)**
Other	**164,132**	**173,074**
	154,556	**152,227**

4. RESTRICTED CASH

	31 December 2017 $	30 June 2017 $
Current		
Term deposits	**44,546**	44,617
Application funds	**730,000**	60,000
	774,546	104,617
Movement		
Brought forward	**104,617**	1,001,470
Application funds received/(refunded) by Fe Limited	**730,000**	(968,131)
Application funds received/(refunded) by Cape Lambert	**(60,071)**	60,000
Security against loan	**-**	32,046
Payment of restricted cash in relation to office bond	**-**	(20,768)
	774,546	104,617
Non current		
Term deposits	**81,833**	81,833

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.

5. TRADE AND OTHER RECEIVABLES

	31 December 2017 $	30 June 2017 $
Trade and other receivables – current		
Trade debtors	**3,660,676**	3,899,953
Deferred consideration receivable (a)	**2,500,000**	2,500,000
GST recoverable and other debtors	**138,764**	52,527
Prepayments	**157,100**	151,043
Interest receivable	**-**	80,000
Loans receivable (b)	**-**	370,000
Allowance for doubtful debts	**(6,104,954)**	(6,265,446)
	351,586	788,077

(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 2017 $	30 June 2017 $
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
Loan of USD$8,000,000	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		**11,025,634**	11,395,634
Impairment of receivables		**(11,025,634)**	(11,025,634)
Current carrying value at amortised cost at balance date		-	370,000

Reconciliation of movement in loans receivable

	6 Months to 31 December 2017 $	Year ended 30 June 2017 $
Opening balance	**370,000**	529,250
Repayment of loans	**(370,000)**	-
Impairment of loans receivable	-	(159,250)
Current carrying value at amortised cost at balance date	-	370,000

6. OTHER FINANCIAL ASSETS

	31 December 2017 $	30 June 2017 $
Non-Current		
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	**1,330,250**	1,138,188
	1,330,250	1,138,188
Financial Assets Available-for-sale		
Shares in unlisted entity (b)	**70,000**	70,000
Total Financial Assets	**1,400,250**	1,208,188

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

	6 Months to 31 December 2017 $	Year ended 30 June 2017 $
Brought forward	**1,138,188**	1,350,477
Purchase of equity investments	**14,850**	331,124
Reclassification of financial asset at fair value through profit or loss to/(from) associate	**559,033**	(231,124)
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	**192,062**	153,391
Exercise of call option	-	68,799
Disposal of equity investments	**(573,883)**	(544,284)
Other	-	1,750
	1,330,250	1,138,188

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

	6 Months to 31 December 2017 $	Year ended 30 June 2017 $
Brought forward – at cost less impairment	**70,000**	100,000
Impairment of investment	**-**	(30,000)
	70,000	70,000

7. EXPLORATION AND EVALUATION EXPENDITURE

	6 Months to 31 December 2017 $	Year ended 30 June 2017 $
Exploration and evaluation phases	**437,529**	33,551
Movement in carrying amounts		
Brought forward	**33,551**	-
Exploration and evaluation expenditure capitalised	**1,470,153**	-
Exploration assets divested during the year	**-**	2,871,069
Exploration expenditure impaired during the period	**(1,060)**	-
Exploration expenditure de-recognised during the period	**(1,065,115)**	(2,837,518)
Foreign currency gains / (losses)	**-**	-
Total exploration and evaluation phases	**437,529**	33,551

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.

8. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2017 $	30 June 2017 $
Investments in associates accounted for using the equity method	**7,278,895**	**3,417,907**

(a) Investment details

	Percentage held at balance date 31 Dec 2017	Percentage held at balance date 30 June 2017	31 December 2017 $	30 June 2017 $
Cauldron Energy Limited [1]	15.9	15.9	**952,814**	493,713
European Lithium Limited [1]	12.0	14.5	**3,610,812**	2,924,194
Soludo-Lambert Mining SAS[2]	50.0	-	**2,715,269**	-
			7,278,895	3,417,907

[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] On 21 February 2017 the Company entered into a binding heads of agreement with Congolese company, Paragon Mining SARL (**Paragon**) 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 (**DRC**). On 17 May 2017 the Company executed a JV agreement with Paragon. On 13 July 2017, the Company announced that it had executed a binding term sheet with Fe Limited (**FEL**) to assign 100% of the rights and obligations to the Kasombo copper-cobalt project (**Kasombo Transaction**). On 3 November 2017, the Kasombo Transaction was approved at a general meeting by the Company's shareholders. On 6 November 2017, the Company was issued 25m shares in FEL pursuant to the terms of the Kasombo Transaction. Subsequent to reporting date, on 19 February 2018, the joint venture company Soludo-Lambert Mining SAS was incorporated.

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

	31 December 2017 $	30 June 2017 $
Balance at beginning of period	**3,417,907**	1,371,803
Purchase of shares	**-**	194,687
Sale of shares	**(417,833)**	-
Share of profits/(losses) of associates recognised during the period	**441,183**	(2,555,741)
Share of reserves of associates recognised during the period	**104,738**	131,460
Conversion of debt into shares	**83,820**	-
Net gain on dilution of interest in associates	**867,631**	1,623,455
Reclassification from deferred expenses (note 8(a))	**2,715,269**	-
Reversal of impairment of investment in associate	**66,180**	2,652,243
	7,278,895	3,417,907

9. ISSUED CAPITAL

	31 December 2017 $	30 June 2017 $
873,625,369 fully paid ordinary shares (30 June 2017: 833,019,919)	**198,018,794**	196,771,578

	Ordinary fully paid shares Number	$
Shares on issue at 1 July 2017	**833,019,919**	196,771,578
Placement	**35,533,333**	1,066,000
Issue of shares for cobalt acquisition[1]	**2,166,667**	65,000
Shares issued in settlement of liabilities	**2,905,450**	116,216
	873,625,369	198,018,794

[1] On 30 October 2017 the Company issued 2,166,667 shares to settle liability of US$50,000 ($65,000) as part of the DRC acquisition.

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.

10. CONTINGENT ASSETS AND LIABILITIES

Contingent spend on DRC Cobalt

On 21 February 2017, the Company announced that it had entered into a Binding Heads of Agreement (**Agreement**) with Congolese company, Paragon Mining SARL (**Paragon**) to form a 50/50 Joint Venture (**JV**) 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 (**DRC**). In accordance with the terms of the Agreement, the Company is responsible to fund 100% of the working capital and capital costs for the Kipushi projects and Kasombo projects.

On 13 July 2017, the Company announced that it had entered into a binding terms sheet to assign the rights to the Kasombo projects to FE Limited (**FEL**) (**Kasombo Acquisition**). On 3 November 2017 at a General Meeting of Shareholders, the Shareholders approved the assignment of the Company rights and obligations to the Kasombo Project to FEL. In accordance with the terms of this assignment, FEL are responsible to fund 100% of the working capital and capital costs for the Kasombo project. Pursuant to the Kasombo Acquisition agreement, FEL is required to reimburse the Company for expenditure incurred by Cape Lambert since acquisition of its interest in the Kasombo Project (**Pre-Settlement Expenditure**) up to maximum amount of $125,000 (subject to ASX's confirmation that it is reimbursement of expenditure incurred in the development of the asset). During the period to 31 December 2017, FEL had advanced Cape Lambert $50,000 as a contribution towards the Pre-Settlement Expenditure (included in exploration and evaluation expenditure in the statement of comprehensive income). The final amount of Pre-Settlement Expenditure payable by, or refundable to, FEL has not yet been determined between the parties. The maximum additional amount of Pre-Settlement Expenditure payable by FEL is a further $75,000.

Contingent spend on Zambia project

On 22 May 2017, the Company announced that it had entered into a binding terms sheet with Australian Mining Company Zambia Limited to acquire a 70% interest in the Kitwe cobalt-copper tailings project. Under the terms of the agreement, the Company has 6 months from 22 November 2017 to decide whether it wishes to exercise an option to expend US$500,000 within 6 months from the date of exercising the option (**Option**). If the Company does not exercise the Option, or fails to spend the US$500,000 within the 6 months option period, then the 70% shareholding will be returned to the Seller.

11. RELATED PARTY TRANSACTIONS

On 5 December 2017, the Company announced the appointment of Mr Stefan Muller with effect from 1 January 2018. There is a consulting and service agreement between the Company and Deutsche Gesellschaft Fur Wertpapieranalyse GmBh (**DGWA**). Mr Muller is the sole owner and CEO of DGWA.

Subsequent to the period end, Frankfurt Capital Market Consulting invoiced fees in relation to commission in respect to the March 2018 Placement. Frankfurt Capital Market Consulting is a subsidiary of Deutsche Gesellschaft Fur Wertpapieranalyse GmBh (DGWA) which is controlled by Stefan Muller.

There were no other significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2017 annual financial report.

12. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 31 December 2017:

- On 12 March 2018, the Company announced that it would be undertaking a placement of up to 37,036,361 fully paid ordinary shares at an issue price of $0.055 per shares to raise proceeds of up to $2 million (before expenses) (**Placement**). As part of the Placement, the Company will also be issuing one free attaching unquoted option for every two shares applies for under the Placement as well as issuing 5 million options to facilitators of the Placement which are exercisable at $0.07 (7 cents) expiring 2 years from the date of issue (**Placement Options**). On the same day, the company issued 30,673,725 ordinary shares and 15,336,363 Placement Options. The Company is expecting to issue any remaining shares and Placement Options pursuant to the Placement in the very near future.
- On 16 February 2018, the Company announced the resignation of Mr Jason Brewer with effect from 28 February 2018.
- On 19 February 2018, the joint venture company Soludo-Lambert Mining SAS was incorporated.

- On 19 February 2018, the Company announced that it had received $500,000 in cash with the remaining $500,000 to be received as a deferred consideration regarding the sale of its 100% owned royalty in the Mayoko iron ore project.
- On 8 January 2018, 16 February 2018 and 28 February 2018, the Company provided updates to the market regarding the announcement made by FE Limited in relation to drilling and assay results at the Kasombo Project.
- On 5 February 2018, the Company announced the appointment of Mr Philippe Bouchart as the General Manager of the Company's DRC based joint venture company Soludo-Lambert Mining SAS.
- On 6 February 2018, the Company announced the appointment of South African based engineering consulting firm GWCH Consulting Pty Ltd to complete the detailed engineering review of the Kipushi Processing Plant on behalf of the Company's DRC based joint venture company Soludo-Lambert Mining SAS.
- On 11 January 2018, the Company provided the market with an update regarding the acquisition of 70% of the Kitwe Tailing Project in Zambia.

13. 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 2017 $	31 December 2016 $
Cash and cash equivalents		
Cash in banks and on hand	**577,804**	3,114,814
Deposits at call	**-**	-
Cash and cash equivalents per consolidated statement of cash flows	**577,804**	3,114,814
Less: cash and cash equivalents classified as held for sale	**-**	-
Cash and cash equivalents per consolidated statement of financial position	**577,804**	3,114,814

(b) Non-Cash Activities

Current year

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2017.

Prior year

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

14. PROVISION FOR INCOME TAX

As disclosed in the 30 June 2017 annual report, the Company is currently the subject of an audit by the Commissioner of Taxation (**Commissioner**) regarding various taxation matters, covering the 2011 – 2015 income years. During the period the Company entered into a binding heads of agreement with the Commissioner which included the settlement sum to be paid over five years. As at the balance date, the Company and the Commissioner continue to work together to finalise the formal deed and therefore the Company continues to classify the amount outstanding as a current liability until such time that the settlement deed has been finalised.

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 2017 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 2017 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 16 day of March 2018

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cape Lambert Resources Limited.

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cape Lambert Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the Half-Year 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 control as the directors determine is 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its financial 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 the Group, 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 confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 16 March 2018