CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2018

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CORPORATE DIRECTORY

Directors
Mr Tony Sage - Executive Chairman
Mr Tim Turner - Non-Executive Director
Mr Stefan Muller – 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

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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 2018.

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
Stefan Muller

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:

<u>Placements and Capital Movements</u>

On 3 July 2018, the Company completed a placement of 1,000,000 fully paid ordinary shares at $0.03 per share to raise cash proceeds of $30,000 (before costs).

On 13 July 2018 the Company completed a placement of 10,600,000 fully paid ordinary shares at $0.03 per share to raise cash proceeds of $300,000 (before costs) and settle liabilities of the Company of $18,000.

On 23 July 2018 the Company completed a placement of 38,924,698 fully paid ordinary shares at $0.03 per share to raise cash proceeds of $1,104,741 (before costs) and settle liabilities of the Company of $63,000.

On 23 July 2018 the Company issued 23,500,000 fully paid ordinary shares to Gulf Energy International Limited upon the exercise of options to raise cash proceeds of $1,175,000.

<u>Financing Facility - Magna</u>

On 17 December 2018, the Company announced that it has secured a A$7.5m finance facility with MEF I, L.P. (**Magna** or **Investor**) to fast-track the development of the Kipushi Cobalt-Copper tailings project in the DRC.

The A$7.5m facility allows the Company to ensure the development is funded whilst retaining the flexibility with our negotiations for either an offtake for a strategic partner which may result in alternative funding, such as a cash injection into the project.

An initial amount of A$750k was drawn down on 19 December 2018 and a further $0.75m will be available for drawdown pending the Investors ability to trade the Company's shares on the Frankfurt exchange with a further A$6m available in tranches upon the Company meeting key milestones relating to the Company's Kipushi Cobalt-Copper Tailings Project.

On 21 December 2018, the Company announced the issue of 1,666,667 fully paid ordinary shares to Magna which represented Tranche 1 commitments shares. Full terms and conditions of the convertible securities are included in the announcement released on 17 December 2018.

Loan Facility

On 19 November 2018, the Company entered into a loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

Project Information

As at 31 December 2018, 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 2018 was as follows:

Marampa

- The Marampa Project remained on care and maintenance.
- During the period, the Company received a letter from the Sierra Leone Ministry of Mines (**MoM**) informing Marampa Iron Ore (SL) Limited (**Marampa SL**) of the cancellation of the Marampa mining license ML05/2014 due to non payment of fees. In September 2014, Marampa SL submitted to the MoM an application letter entitled "Force Majeure to all Cape Lambert Operations in Sierra Leone" which was acknowledged by the MoM. The Company understood that the agreement with the MoM was that force majeure events were acknowledged and authorised and as such no fees would accrue or be payable until a processing facility was operating and Marampa SL is producing iron ore from Marampa. The Company understands that the notice of cancellation of license letter has incorrectly been issued by the new Sierra Leone government who are not aware of the agreement. In order to protect it's position, Marampa SL has engaged Sierra Leone based lawyers BMT Law Chambers who has commenced legal action in the High Court of Sierra Leone regarding the status of the licence and to confirm the arrangment regarding the payment of fees.

Kukuna

- The Kukuna Project remained on care and maintenance.

Wee McGregor

- Cohiba Minerals Limited **(Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098, while Firebird Minerals Pty Ltd has a Farm-in agreement for mining licence ML 2771.
- In August 2018, Cohiba announced that results from its first phase drilling programme at Wee McGregor had returned encouraging results (refer Cohiba ASX announcement dated 30 August 2018 for further detail). Results reported included:

Hole GC5:	8-10m	1.2% Cu
	10-12m	1.38% Cu
Hole WM03:	2-4m	2.15% Cu, 0.063% Co, 1.1ppm Au
	4-6m	1.49% Cu, 0.066% Co, 1.3ppm Au

- In December 2018, Cohiba announced more results from its first phase drilling programme at Wee McGregor had returned encouraging results (refer Cohiba ASX announcement dated 10 December 2018 for further detail). Results reported included:

Hole WM03c:	0-1m	1,76% Cu
	2-4m	7.03% Cu, 0.1% Co, 1.34ppm Au
	8-10m	1.2% Cu, 0.05% Co
Hole WM04:	0-10m	2.84% Cu, 0.5ppm Au, 0.063% Co

Kipushi Project

- The Kipushi Project consists of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**), located approximately 25km from Lubumbashi, the second largest city in the Democratic Republic of Congo (**DRC)**. The Company has a 50/50 joint venture agreement with Paragon Mining SARL (**Paragon**) to develop the project (refer to ASX announcement dated 3 May 2017 for details of the joint venture arrangement). The joint venture company is Soludo Lambert Mining SAS (**Soludo Lambert**).
- During Q2 2018, the Company reported that the Engineering Study completed by Minnovo Pty Ltd (**Minnovo**) was updated to provide for the production of a copper-rich MHP and a cobalt-rich MHP separately (refer ASX announcement dated 20 August 2018). The production of separate products is advantageous as the copper-rich MHP can be sold to copper focused companies whereas, the cobalt-rich MHP can be sold to cobalt focused companies, therefore, greatly expanding the potential buyer base. During Q3 2018, Minnovo continued with the detailed design of the 1Mtpa leaching plant and in particular the issuance of specifications for tendering the long lead item equipment.
- During the period, Soludo Lambert issued tenders for thickeners, filter presses, horizontal belt filter, SO_2 scrubber and agitators. Quotations were received and reviewed by Minnovo for compliance with the specifications and data sheets. In addition, fabrication tenders were issued for tankage works (2 packages) and for the workshop/warehouse building. Quotations were received and assessed. Soludo Lambert also issued a tender document for the concrete works at the leaching plant to four reputable companies operating in the DRC. Quotations were received and assessed.
- Soludo Lambert also awarded the design of the leach residue storage facility (LRSF) to Golder Associates Africa. Golder visited the site to undertake geotechnical investigations at the proposed LRSF location. Design works on the LRSF has commenced.
- During Q3 2018, a final report on a geotechnical study of the leaching plantsite undertaken by SRK Consulting Congo SARL was issued.
- In September 2018, Soludo Lambert engaged drilling contractor Solutions for Africa to undertake a drilling programme at the Kipushi TSF. During Q4 2018, the drilling contractor completed 47 holes for a total of 432m. Samples were dispatched to the laboratory of ALS in Lubumbashi for assay. Late in Q4 2018 all assays were received, with the information undergoing review and interpretation. Initial results appeared to reflect what was expected with regard to material grades within the tailings.
- Preliminary work has been completed to create a three dimensional volume model of the tailings using surveyed topography and depths to base of tailings obtained from recent drilling. In the area drilled, this work has indicated a potential volume in the order of 2.8 million cubic metres of tailings contained. The area drilled only represents a subset of the total tailed area and has already indicated a volume greater than what was expected in overall. In-situ dry density test work is still to be completed which will allow a total tonnage calculation however an initial estimation of tonnage can be determined using a conservative density range of 1.5 t/m3 – 2.0 t/m3 (expected dry SG for copper cobalt quartz sand is >2.0 t/m3) resulting in a potential tonnage of tailings in the range of 4.2 Mt – 5.6 Mt. This potential volume is conceptual in nature and there has been insufficient exploration to determine accurate tonnage or data received to enable estimation of a mineral resource. It is uncertain if further exploration will result in the estimation of a mineral resource.

- In December 2018, the Company announced that it had appointed Kobu Capital (**Kobu**) to assist in sourcing an Engineering, Procurement, Construction and Financing (**EPCF**) provider to develop the Kipushi Project. Kobu is a venture investment platform for, amongst other things, innovative industrial technology products and believes it can offer a more economical development and financing process for the Project through partnering with its strategic Chinese partners. The purpose of an EPCF provider is for self-funding of the design and building of the process plant, with the repayment of the financing coming from future revenues of the Project, that can potentially deliver a lower overall cost for the development. The Company is exploring this as an alternative to securing the financing for building of the Project.
- Work on the Kipushi Project was placed on hold during Q4 2018 pending Kobu sourcing an EPCF provider.

Kasombo Project

- The Kasombo Project is held by Soludo Lambert and is nearby to the Kipushi Project. On 6 November 2017, the Company assigned its interest in the Kasombo Project to Fe Limited (**FEL**), where-in FEL assumed all its rights and obligations in the Kasombo Project (full details of the assignment are described in the Notice of Annual General Meeting, refer ASX announcement dated 14 October 2017). The Company retains an interest in the Kasombo Project via its significant shareholding in FEL. The Kasombo Project comprises three mineralized areas, Kasombo 5, 6 and 7, situated within an approximately 600 hectare area, located within two granted mining licenses PE 481 and PE 4886 (**Licences**). The Licences are held by La Generale Des Carrieres Et Des Mines S.A..

- During the period, FEL reported the results of sampling from the trenching programme undertaken at Kasombo 7 reported (refer FEL ASX announcement dated 23 August 2018). Samples taken returned significant cobalt grades from two trenches and strongly anomalous grades in the remainder within the expected stratigraphic sequence particularly when all samples were taken from the heavily leached top few metres of the weathering profile (refer Table below).

Table: Trench summary assay

Trench_ID	From	To	Thick	Co_ppm	Comment
KSB_TR001	20.4	24.9	4.5	650	
KSB_TR001	53.2	61.2	8.0	590	
KSB_TR002	3.0	9.0	6.0	585	
KSB_TR003					no significant Co assay
KSB_TR004	4.0	6.0	2.0	920	
KSB_TR005	21.0	28.0	7.0	690	
KSB_TR006	42.0	52.0	10.0	2050	
KSB_TR007	16.0	28.0	12.0	2300	

- In June 2018, FEL had engaged the services of the Department of Geology from the University of Lubumbashi (**University**), to undertake a ground magnetics and a geochemical survey of the Kasombo area utilizing termite mound sampling. The ground magnetics field work completed consisted of 12 survey lines of approximately 1.2km each in length, and 400m apart oriented N-S, totalling a cumulative length of 20.2km. A total of 137 termite mound samples were collected as part of the geochemical survey over the known fragments and their surrounds. The results of the trench mapping and sampling correlated well with the geochemical and magnetic work and have provided good targeting information to possibly extend the known mineralization with future drilling.

Kitwe Project

- During the period the Company commenced a metallurgical testwork programme on four 25kg tailings samples at a laboratory located in Kitwe. The programme has been designed to test the leaching characteristics of the tailings.
- During the period the Company also engaged drilling contractor Wallis Drilling Pty Ltd and completed an air core drilling of the tailings dump, with 114 holes drilled for a total of 1082m. The assays were received, with the information is currently undergoing review and interpretation.

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.

Competent Persons Statement

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

Result

The Consolidated Entity made a profit after income tax for the half-year ended 31 December 2018 of $559,044 (31 December 2017: loss of $1,234,103).

EVENTS SUBSEQUENT TO BALANCE DATE

On 4 January 2019 the Company entered into a trading halt pending an announcement regarding the Company's Kipushi Cobalt-Copper Tailing Project. On 8 January 2019, the Company entered into a voluntary suspension which remains in place at the date of signing these accounts.

On 13 March 2019 the Company entered into a entered into a loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

There are no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2018.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 7 for the half-year ended 31 December 2018.

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

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Tony Sage
Director

Dated this 15 day of March 2019

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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 2018, 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, 15 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	For the six months ended 31 December 2018 $	31 December 2017 $
Revenue	3a	**149,405**	198,521
Other income	3b	**81,329**	154,556
Share based payments expense		**(3,005)**	-
Directors remuneration and employee benefits expenses		**(414,074)**	(170,176)
Consulting and professional services expenses		**(540,674)**	(827,863)
Occupancy expenses		**(332,086)**	(373,193)
Compliance and regulatory expenses		**(116,953)**	(194,656)
Travel and accommodation		**(50,351)**	(73,249)
Depreciation and amortisation expense		**(12,784)**	(15,823)
Gain/(loss) on fair value of financial assets through profit and loss	5a	**(787,579)**	192,062
Exploration and evaluation expenditure (expenditure)/reversal	11	**3,568,842**	(1,066,174)
Other expenses		**(207,585)**	(593,594)
Finance expenses		**(37,885)**	-
Reversal of/(impairment) of investment in associate	7b	**304,036**	66,180
Reversal of/(impairment) of receivable		**-**	160,492
Impairment of unlisted investment	5b	**(52,565)**	-
Shares of net losses of JV accounted for using the equity method	8	**(450,379)**	-
Share of net profits/(losses) of associates accounted for using the equity method	7b	**(588,912)**	441,183
Net gain on dilution of interest in associates	7b	**50,264**	867,631
Profit/(Loss) before income tax		**559,044**	(1,234,103)
Income tax benefit / (expense)		**-**	-
Profit/(Loss) after income tax		**559,044**	(1,234,103)
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		**(104,629)**	41,575
Share of reserves of associate accounted for using the equity method	7b	**124,327**	104,738
Net fair value gain/(loss) on available for sale financial assets		**-**	-
Total comprehensive income / (loss) for the period		**578,742**	(1,087,789)
Profit/(Loss) after income tax attributable to:			
Members of Cape Lambert Resources Limited		**559,044**	(1,056,976)
Non-controlling interests		**-**	(177,127)
		559,044	(1,234,103)
Total comprehensive income / (loss) attributable to:			
Members of Cape Lambert Resources Limited		**578,742**	(910,663)
Non-controlling interests		**-**	(177,127)
		578,742	(1,087,790)
Profit/(Loss) per share attributable to members of Cape Lambert Resources Ltd			
Basic profit/(loss) per share (cents per share)		**0.06**	(0.12)
Diluted profit/(loss) per share (cents per share)		**0.06**	(0.12)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMEBER 2018

	Note	As at 31 December 2018 $	 30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		**906,592**	1,015,522
Restricted cash		**12,500**	44,546
Trade and other receivables	4	**244,636**	320,355
TOTAL CURRENT ASSETS		**1,163,728**	1,380,423
NON-CURRENT ASSETS			
Other financial assets	5	**1,731,432**	2,567,722
Investments accounted for using the equity method	7	**7,005,411**	7,115,698
Investment in joint venture accounted for using equity method	8	**3,533,235**	2,882,726
Restricted cash		**81,833**	81,833
Plant and equipment		**109,581**	109,576
Exploration and evaluation expenditure	6	**1,380,415**	1,107,642
TOTAL NON-CURRENT ASSETS		**13,841,907**	13,865,197
TOTAL ASSETS		**15,005,635**	**15,245,620**
CURRENT LIABILITIES			
Trade and other payables	11	**4,512,076**	8,251,795
Provisions		**650,259**	1,055,262
Current tax liabilities	9	**1,040,688**	5,203,442
Convertible note	10	**755,077**	-
TOTAL CURRENT LIABILITIES		**6,958,100**	14,510,499
NON CURRENT LIABILITIES			
Long term loan payable	12	**708,690**	-
Non-current tax liabilities	9	**3,382,238**	-
TOTAL NON CURRENT LIABILITIES		**4,090,928**	-
TOTAL LIABILITIES		**11,049,028**	**14,510,499**
NET ASSETS		**3,956,607**	**735,121**
EQUITY			
Issued capital	13	**203,216,819**	200,730,049
Reserves		**23,780,609**	23,604,936
Accumulated loss		**(223,040,821)**	(223,599,865)
Parent interests		**3,956,607**	735,121
Non-controlling interest		**-**	-
TOTAL EQUITY		**3,956,607**	**735,121**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2018

	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 2018	**200,730,049**	**(223,599,865)**	**2,392,942**	**-**	**22,302,495**	**(1,090,501)**	**735,121**	**-**	**735,121**
Profit for the year	-	559,044	-	-	-	-	559,044	-	559,044
Other comprehensive income									
Share of reserves of associate accounted for using the equity method	-	-	61,213	-	63,113	-	124,327	-	124,327
Foreign exchange differences arising on translation of foreign operations	-	-	-	-	(104,629)	-	(104,629)	-	(104,629)
Total comprehensive income for the half-year	-	559,044	61,213	-	(41,516)	-	578,742	-	578,742
Transactions with owners in their capacity as owners									
Share based payments	(152,971)	-	155,976	-	-	-	3,005	-	3,005
Shares issued during the period	2,720,741	-	-	-	-	-	2,720,741	-	2,720,741
Capital raising costs	(81,000)	-	-	-	-	-	(81,000)	-	(81,000)
Transactions with equity holders in their capacity as equity holders	2,486,770	-	155,976	-	-	-	2,640,015	-	2,640,015
Balance at 31 December 2018	**203,216,819**	**(223,040,821)**	**2,610,131**	**-**	**22,260,979**	**(1,090,501)**	**3,956,607**	**-**	**3,956,607**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2018

	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 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
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 CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2018

	Note	For the six months ended 31 December 2018 $	31 December 2017 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(1,874,090)**	(1,874,524)
Payments for exploration and evaluation		**(386,322)**	(860,851)
Interest received		**1,179**	4,944
Income tax paid	9	**(780,516)**	-
Net cash used in operating activities		**(3,039,749)**	(2,730,431)
CASHFLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		**-**	4,950
Purchase of property, plant and equipment		**(12,789)**	-
Purchase of equity investments		**(3,854)**	-
Payment for acquiring interest in associated entity		**-**	(14,850)
Investment in joint venture		**(1,100,888)**	(32,035)
Proceeds from sale of equity investments		**-**	723,883
Repayment of loans received		**-**	-
Net cash from / (used in) investing activities		**(1,117,531)**	681,948
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		**750,000**	-
Proceeds from share issue		**2,609,741**	1,066,000
Proceeds from borrowings		**688,609**	-
Proceeds from repayment of loan		**-**	450,000
Net cash provided by financing activities		**4,048,350**	1,516,000
Net decrease in cash and cash equivalents		**(108,930)**	(532,483)
Cash and cash equivalents at beginning of period		**1,015,522**	1,110,287
Foreign exchange difference		**-**	-
Cash and cash equivalents at end of period		**906,592**	577,804

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 2018 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 2018 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 2018 the Consolidated Entity incurred a profit after income tax of $559,044 (31 December 2017: $1,234,103 loss), net cash outflows from operating activities of $3,039,749 (31 December 2017: $2,730,431), and at that date had cash on hand of $906,592 (30 June 2018: $1,015,522).

The Consolidated Entity's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital and / or generating additional revenues from its operations and / or reducing operational costs.

These conditions indicate a material uncertainty that may cast a significant doubt about the Consolidated Entity'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 normal course of business.

The Directors believe the Consolidated Entity will continue as a going concern, after consideration of the following factors:

- The Consolidated Entity has recent successful experience in raising capital having raised $3.8 million in cash proceeds through share placements in the year ended 30 June 2018; and
- The Consolidated Entity has successfully commenced development at the Company's Kipushi Cobalt-Copper Tailing Project. The Company has established the Magna convertible loan note facility allowing access to funds for the purposes of further developing this project; and
- The Consolidated Entity has successfully completed the planned first phase of its commercial strategy and now requires additional capital for its next phase. The Company's current intention is to raise additional capital prior to the end of the calendar year through equity or debt in order to fund its expansion and working capital requirements. Initial discussions have commenced with a number of Australian stock brokers and the directors are confident of a successful outcome within the next 12 months; and
- Realisation of certain of the Groups financial assets; and
- The Consolidated Entity is continuing efforts to secure key customers in key markets and are similarly confident of generating additional sales revenue within the next 12 months.

Should the Consolidated Entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

Significant Accounting Policies

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards with the exception of the following:

Trade and other receivables (new policy applied from 1 July 2018 due to adoption of AASB 9)

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The Consolidated Entity assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Consolidate Entity always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Consolidate Entity’s historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Consolidate Entity recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Consolidate Entity measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Consolidate Entity considers an event of default has occurred when a financial asset is more than 120 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Consolidate Entity. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Consolidate Entity writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Convertible notes

Convertible notes that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in the statement of profit or loss.

New and amended accounting standards and interpretations

Standards and Interpretations applicable to 31 December 2018

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the *AASB* that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2018. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2018 including:

AASB 9 Financial Instruments (AASB 9)

The Group has adopted AASB 9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated. AASB 9 replaces AASB *39 Financial Instruments: Recognition and Measurement* (**AASB 39**), bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018 (see note above for details of the new accounting policy for receivables).

Measurement and classification

Under AASB 9, debt instruments are subsequently measured at fair value through profit or loss (**FVPL**), amortised cost, or fair value through other comprehensive income (**FVOCI**). The classification is based on two criteria: the Consolidated Entity's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Consolidated Entity were assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 July 2018. In this regard, the Consolidated Entity has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 July 2018 as follows:

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB139 (prior to 1 July 2018)	New measurement category under AASB 9 (from 1 July 2018)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Other financial assets	Financial assets at Fair Value through profit and loss	Financial assets at Fair Value through profit and loss
Convertible note	Loans and payables	Financial liabilities at Fair Value through profit and loss
Long term loan payable	Loans and payables	Financial liabilities at Fair Value through profit and loss
Trade and other payables	Financial liability at amortised cost	Financial liabilities at amortised cost

The Magna convertible note (see note 9) failed the SPPI test due to the contractual terms which give rise to equity risk. Accordingly, on adoption of AASB 9, the loan has been classified as a financial liability at FVPL.

The change in classification of financial instruments has not resulted in any re-measurement adjustments at 1 July 2018.

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Consolidated Entity to measure the loss allowance at an amount equal to lifetime expected credit loss (**ECL**) if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Consolidated Entity is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

As at 1 July 2018, the directors of the Company reviewed and assessed the Consolidated Entity's existing financial assets for impairment using reasonable and supportable information. In accordance with AASB 9, where the directors concluded that it would require undue cost and effort to determine the credit risk of a financial asset on initial recognition, the Consolidated Entity recognises lifetime ECL. The result of the assessment is as follows:

Items existing as at 1 July 2018 that are subject to the impairment provisions of AASB 9	Credit risk attributes	Cumulative additional loss allowance recognised on 1 July 2018 $'000:
Cash and cash equivalents and deposits	All bank balances are assessed to have low credit risk as they are held with a reputable financial institution with a Moody's Credit Rating of AA3 (stable).	-
Security Bond	The security is assessed to have low credit risk as they are held with a reputable institution.	-
Receivables at amortised cost	The Group applied the simplified approach and concluded that the lifetime ECL for these assets would be negligible and therefore no loss allowance was required at 1 July 2018.	-

Hedge accounting

The Group has not applied hedge accounting.

AASB 15 Revenue from Contracts with Customers (AASB 15)

The Consolidated Entity has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the full retrospective approach.

AASB 15 supersedes AASB 18 Revenue, AASB 111 Construction Contracts and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

At 1 July 2017 and at 1 July 2018 it was determined that the adoption of AASB 15 had no impact on the Consolidated Entity.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2018

The Directors have reviewed the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2019. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to the Consolidated Entity accounting policies. The Consolidated Entity 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 2018 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.

Information by geographical region

The analysis of the location of non-current assets other than financial instruments and deferred tax assets is as follows:

	31 December 2018 $	30 June 2018 $
Australia	7,039,224	7,153,142
West Africa	4,989,418	4,062,500
	12,028,642	11,215,642

Revenue by geographical region

	31 December 2018 $	30 June 2018 $
Australia	149,405	368,377
West Africa	-	-
	149,405	368,377

3. PROFIT/(LOSS) FROM OPERATIONS

	31 December 2018 $	31 December 2017 $
(a) Revenue		
Interest	1,109	4,944
Rental revenue	148,296	193,577
	149,405	198,521
(b) Other income		
Foreign currency gain / (loss)	11,588	(9,576)
Other	69,741	164,132
	81,329	154,556

4. TRADE AND OTHER RECEIVABLES

	31 December 2018 $	30 June 2018 $
Trade and other receivables – current		
Trade debtors	3,704,545	3,737,577
Deferred consideration receivable (a)	2,500,000	2,500,000
GST recoverable and other debtors	92,428	100,035
Prepayments	1,690	36,700
Interest receivable	-	70
Loans receivable (b)	-	-
Allowance for doubtful debts	(6,054,027)	(6,054,027)
	244,636	320,355

(a) Deferred consideration receivable payable on the achievement of a production milestone. This receivable has been previously provided for in full.
(b) Current loans receivable at balance date are made up as follows:

	Interest rate	Carrying value of loans 31 December 2018 $	30 June 2018 $
Current			
Convertible loan note of $250,250	15.0%	159,250	159,250
Loan of USD$8,000,000	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		10,606,450	10,606,450
Impairment of receivables		(10,606,450)	(10,606,450)
Current carrying value at amortised cost at balance date		-	-

Reconciliation of movement in loans receivable

	31 December 2018 $	30 June 2018 $
Opening balance	-	370,000
Repayment of loans	-	(370,000)
Conversion of convertible loan notes	-	419,184
Impairment of loans receivable	-	(419,184)
Current carrying value at amortised cost at balance date	-	-

5. OTHER FINANCIAL ASSETS

	31 December 2018 $	30 June 2018 $
Non-Current		
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	1,713,997	2,497,722
	1,713,997	2,497,722
Financial Assets at fair value through Profit or Loss		
Shares in unlisted entities (b)	17,435	70,000
Total Financial Assets	1,731,432	2,567,722

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

	31 December 2018 $	30 June 2018 $
Brought forward	2,497,722	1,138,188
Purchase of equity investments	3,854	-
Fair value of investments at reclassification from associate to fair value through profit & loss	-	2,361,152
Reclassification of financial asset at fair value through profit or loss to/(from) associate	-	540,283
Gain/(Loss) on fair value of financial assets through profit and loss	(787,579)	(1,001,618)
Disposal of equity investments	-	(540,283)
	1,713,997	**2,497,722**

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

	31 December 2018 $	30 June 2018 $
Carrying value at beginning of year (cost less impairment)	70,000	70,000
Impairment of investment	(52,565)	-
	17,435	70,000

6. EXPLORATION AND EVALUATION EXPENDITURE

	31 December 2018 $	30 June 2018 $
Exploration and evaluation phases	1,380,415	1,107,642
Movement in carrying amounts		
Brought forward	1,107,642	33,551
Exploration and evaluation expenditure capitalised	474,718	3,183,383
Provision/(reversal) for expenses (a)	(3,585,002)	-
Exploration expenditure impaired during the period	-	-
Exploration expenditure de-recognised during the period	3,568,842	(2,109,292)
Foreign currency gains / (losses)	(185,785)	-
Total exploration and evaluation phases	1,380,415	1,107,642

(a) During the period, the Company received a letter from the Sierra Leone Ministry of Mines (**MoM**) informing Marampa Iron Ore (SL) Limited (**Marampa SL**) of the cancellation of the Marampa mining license ML05/2014 due to non-payment of fees. In September 2014, Marampa SL submitted to the MoM an application letter entitled "Force Majeure to all Cape Lambert Operations in Sierra Leone" which was acknowledged by the MoM. The Company understood that the agreement with the MoM was that force majeure events were acknowledged and authorised and as such no fees would accrue or be payable until a processing facility was operating and Marampa SL is producing iron ore from Marampa. The Company understands that the notice of cancellation of license letter has incorrectly been issued by the new Sierra Leone government who are not aware of the agreement. In order to protect its position, Marampa SL has engaged Sierra Leone based lawyers BMT Law Chambers who has commenced legal action in the High Court of Sierra Leone regarding the status of the licence. The Company is of the view that any license fee obligations arising from the mining license agreement under a force majeure are suspended from that point in time and therefore pending legal action, the Company reversed all accrued license fees for its Sierra Leone operation during the period.

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.

7. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2018 $	30 June 2018 $
Investments in associates accounted for using the equity method	7,005,411	7,115,698

(a) Investment details

	Percentage held at balance date		31 December 2018	30 June 2018
	31 Dec 2018	30 June 2018	$	$
Cauldron Energy Limited [1]	n/a	n/a	-	-
European Lithium Limited [2]	11.92	12.01	3,505,044	3,615,329
Fe Limited [3]	39.04	39.33	3,500,367	3,500,367
International Goldfields Limited	19.35	19.35	-	-
			7,005,411	7,115,698

[1]Given that the Company holds less than a 20% interest in Cauldron Energy Ltd (**Cauldron**), and that Mr Sage is no longer a Director of Cauldron, this investment is no longer equity accounted for. Instead the Company's shareholding in Cauldron is accounted for a fair value through Profit and Loss.

[2] Although the Company holds less than a 20% interest in European Lithium Ltd (**Euro**), this investment is equity accounted given the significant influence the Company has on Euro through Mr Sage's role on the board and the interchange of management personnel.

[3] Prior to 2018, the Company controlled Fe Limited (**Fe**) through its direct shareholding and indirect shareholding through Cauldron, and as such, the Company consolidated Fe into its group for reporting purposes. Given that the Company lost its significant influence over Cauldron during the year, control has ceased to exist over Fe. The Company now accounts for its investment in Fe using the equity method.

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

	31 December 2018	30 June 2018
	$	$
Balance at beginning of period	7,115,698	3,417,907
Purchase of shares	-	18,750
Sale of shares	-	(417,832)
Interest in listed shares transferred to interest in associate (a)	-	10,601,325
Conversion of debt into shares	-	83,820
Share of profits/(losses) of associates recognised during the period	(588,912)	148,108
Share of reserves of associates recognised during the period	124,327	186,871
Gain on transfer from associate accounting to fair value through Profit & Loss	-	1,408,338
Reclassification to Financial Assets at fair value through Profit & Loss	-	(2,361,152)
Net gain on dilution of interest in associates	50,262	881,851
Impairment reversal	304,036	66,180
Impairment (loss) (b)	-	(6,918,469)
	7,005,411	7,115,698

(a) On 1 January 2018, the Company has no power to govern the financial and operating policies of FE Limited (**FEL**) due to loss of majority control. Accordingly, the Company was deemed to have lost control of FEL on 1 January 2018, and the Company's investment was reclassified to an investment accounted for using the equity method on that date. The Company did not receive any consideration in the deconsolidation of FEL.

Details of net assets deconsolidated on loss of control	**1 January 2018 $**
Fair value of FEL's net assets/(liabilities)	
Cash and cash equivalents	40,844
Trade and other receivables	766,311
Plant and equipment	211
Exploration assets	735,000
Trade and other payables	(926,621)
FEL's net assets/(liabilities)	**615,745**
Reclassification of FEL transactions to be consistent with CFE policies	195,035
FEL's net assets/(liabilities)	**810,780**

Gain on deconsolidation of subsidiary

	1 January 2018 $
Fair value of equity held in FEL at 1 January 2018	(10,601,325)
Less net assets deconsolidated	810,780
Non-controlling interest	(452,010)
Gain recognised on deconsolidation of subsidiary to owners of the parent entity	**10,242,555**

(b) The carrying amounts of the investments in associates were assessed for impairment at 30 June 2018. The market value prices of some investments were below their carrying value. As a result, the recoverable amount were measured at fair value less cost to sell. Impairment losses of $6,852,289 were recognised as at 30 June 2018.

8. INVESTMENT IN JOINT VENTURE

	31 December 2018 $	**30 June 2018 $**
Investment in joint venture accounted for using the equity method	3,533,235	2,882,726

(a) Movements in the carrying amount of the investment in joint venture

	31 December 2018 $	**30 June 2018 $**
Balance at beginning of period	2,882,726	-
Reclassification from deferred expenses (a)	-	2,715,801
Cash investments	425,789	325,353
Invoices paid by the Company on behalf of joint venture	675,099	-
Share of losses of joint venture recognised during the year	(450,379)	(157,895)
Other	-	(533)
	3,533,235	2,882,726

(a) As at 30 June 2017, the Company recognised deferred expenses of $2,715,801 on its Balance Sheet to account for part of the consideration settled prior to the year end and prior to the incorporation of the joint venture company, Soludo-Lambert Mining SAS (**Soludo-Lambert**). Subsequently, operations commenced and Soludo-Lambert was incorporated in February 2018. As such, the Company now accounts for its investment in the Soludo-Lambert joint venture using the equity method, per AASB 128.

(b) Soludo-Lambert financial information

	31 December 2018 $	30 June 2018 $
Current assets	**100,179**	25,872
Non-current assets	**411,382**	153,730
Current liabilities	**379,166**	-
Equity	**132,395**	**179,602**
Group's carrying amount of the investment	**3,533,235**	**2,882,726**

	31 December 2018 $	30 June 2018 $
Revenue and other income	-	-
Depreciation	(15,803)	(5,582)
Loss before tax	**(900,758)**	**(315,790)**
Income tax expense	**-**	**-**
Loss for the year	**(900,758)**	**(315,790)**
Total comprehensive income/(loss) for the year	**-**	**-**
Group's share of profit/(loss) for the year	**(450,379)**	**(157,895)**

The joint venture has no contingent liabilities or capital commitments as at 31 December 2018.

9. TAX LIABILITY

	31 December 2018 $	30 June 2018 $
Current	1,040,688	5,203,442
Non-current	3,382,238	-
	4,422,926	**5,203,442**

	31 December 2018 $	30 June 2018 $
Balance at beginning of period	5,203,442	5,227,739
Income tax expense	-	(24,297)
Repayments of income tax	(780,516)	-
Balance at end of period	4,422,926	5,203,442

The Company has been the subject of an audit by the Australian Taxation Office (**ATO**) regarding various taxation matters, covering the 2011 - 2015 income years. The key issue in dispute is the tax treatment of the disposal of certain assets.

On 31 July 2018, the Company reached an out of court settlement with the ATO. Under the terms of the settlement, the Company has, on a without admission of liability basis, agreed to make final settlement payments to the ATO totalling $5,203,442 following the issue of amended assessments for each of the respective income tax years in dispute. Included in the settlement is a shortfall interest component of $790,000. The settlement is payable over 5 years until March 2023. Under the terms of the settlement, the Company retains all carry forward losses.

The Company's wholly owned subsidiary, Dempsey Resources Pty Ltd (**Dempsey**), has agreed to provide the ATO with security over its shareholdings in Fe Limited and Cauldron Energy Ltd as collateral.

The agreed settlement figure of $5,203,442 represents full and final settlement and removes the potential for any further payments to the ATO under the amended assessments.

10. CONVERTIBLE NOTE

	31 December 2018 $	30 June 2018 $
Balance at beginning of period	-	-
Funds borrowed under convertible loan agreement	750,000	-
Finance charges	5,077	-
Balance at end of period	755,077	-

On 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) through the issue of 548,310 convertible notes. As at 31 December 2018, the Company has drawn down A$750,000 (**Tranche A**) from the A$7.5 million facility and a further A$6.75 million is available in 4 tranches upon the Company meeting key milestones relating to the development of the Kipushi Cobalt-Copper tailings project in the DRC. Magna will receive a commitment fee of 4% of the investment amount at the funding of each tranche payable in shares.

The face value of each convertible note is US$1.10 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 twelve (12) months after the issue date. The conversion price for each convertible note is the lower of $0.045 or a 15% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than $0.012 (floor price).

At the time of issuance, the pro-rated difference between the fair value of the convertible notes being $882,353 and the proceeds received of A$750,000 was recorded as a finance cost in the statement of comprehensive income, being $5,077 accrued up to 31 December 2018.

As at 31 December 2018, Magna had 548,310 convertible notes remaining.

11. TRADE AND OTHER PAYABLES

	31 December 2018 $	30 June 2018 $
Trade & Other Payables	4,512,076	4,565,626
Accrued Licence Fees – refer Note 6(a)	-	3,686,169
	4,512,076	8,251,795

12. LONG TERM LOAN PAYABLE

	31 December 2018 $	30 June 2018 $
Loan payable	708,690	-

(a) Movements in the carrying amount of loan payable

	31 December 2018 $	30 June 2018 $
Balance at beginning of period	-	-
Proceeds from borrowings	688,609	-
Foreign exchange	20,081	-
	708,690	-

On 19 November 2018, the Company entered into a loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

13. ISSUED CAPITAL

(a) Ordinary shares

	31 December 2018 $	30 June 2018 $
1,013,401,581 fully paid ordinary shares (30 June 2018: 937,710,216)	**203,216,819**	200,730,049

	Ordinary fully paid shares	
	Number	$
Shares on issue at 1 July 2018	**937,710,216**	200,730,049
Placement	**47,824,698**	1,434,741
Exercise of options	**23,500,000**	1,175,000
Shares issued in settlement of liabilities	**2,700,000**	81,000
Magna Tranche A commitment shares (note 9)	**1,666,667**	30,000
Capital raising costs	**-**	(81,000)
Capital raising costs - Share based payments (Note 13 (c))	**-**	(152,971)
	1,013,401,581	203,216,819

(b) Options

On 13 December 2018, the Company issued 10,000,000 unlisted options to Director Stefan Muller as approved at the Company's 2018 AGM. The options are exercisable at $0.075 each on or before 30 June 2019 and were issued to provide a performance linked incentive component in the remuneration package of Mr Muller in order to motivate and reward the performance of Mr Muller in a manner that aligns with shareholders' interests.

On 13 December 2018, the Company issued 5,000,000 unlisted options to Steubing as approved at the Company's 2018 AGM. The options are exercisable at $0.05 each on or before 13 December 2020 and were issued for services provided in relation to a placement. The fair value of services provided could not be reliably estimated and as such the value has been based on the fair value of options issued.

On 13 December 2018, the Company issued 15,000,000 unlisted options to Gulf Energy International Limited as approved at the Company's 2018 AGM. The options are exercisable at $0.03 each on or before 30 June 2021 and were issued for services provided in relation to a placement. The fair value of services provided could not be reliably estimated and as such the value has been based on the fair value of options issued.

At 31 December 2018, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
12/03/2020	Unlisted	7.0 cents	15,336,363
19/03/2020	Unlisted	7.0 cents	7,667,727
31/03/2020	Unlisted	4.0 cents	5,250,000
30/06/2021	Unlisted	3.0 cents	15,000,000
13/12/2020	Unlisted	5.0 cents	5,000,000
30/06/2019	Unlisted	7.5 cents	10,000,000
			58,254,090

(c) Share based payments

The following options were issued as share-based payments arrangements during the period:

	Number of Options	Grant date	Expiry Date	Exercise Price	Fair value at grant date	Vesting date
Options issued to Directors	10,000,000	29 November 2018	30 June 2019	$0.075	$0.0003	28 November 2018
Options issued to corporate advisor	5,000,000	29 November 2018	13 December 2020	$0.05	$0.0052	29 November 2018
Options issued to corporate advisor	15,000,000	29 November 2018	30 June 2021	$0.03	$0.0085	29 November 2018

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black and Scholes model taking into account the terms and conditions upon which the options were granted.

	Assumption		
Number options issued	10,000,000	5,000,000	15,000,000
Dividend yield	0.00%	0.00%	0.00%
Expected volatility	98%	98%	98%
Risk-free interest rate	2.04%	2.04%	2.04%
Expected life of options	0.58 years	2.04 years	2.59 years
Exercise price	$0.075	$0.05	$0.03
Grant date share price	$0.018	$0.018	$0.018

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Share Based Payment Reserve	**2018 $**	**2017 $**
Share-Based Payment Expense		
Director Fees – 10,000,000 options issued	3,005	-
Total Expense Recognised in Profit & Loss	3,005	-
Capital Raising Costs		
Corporate Advisor – 5,000,000 options issued	25,841	-
Corporate Advisor – 10,000,000 options issued	127,130	-
Total Expense Recognised in Equity	152,971	-
Total Share Based Payments Expense	155,976	-

14. CONTINGENT ASSETS AND LIABILITIES

Contingent issue of shares on Magna Facility

On 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) through the issue of 548,310 convertible notes. As at 31 December 2018, the Company has drawn down A$750,000 (**Tranche A**) from the A$7.5 million facility and a further A$6.75 million is available in 4 tranches upon the Company meeting key milestones relating to the development of the Kipushi Cobalt-Copper tailings project in the DRC. The Company is under no obligation to drawdown subsequent tranches of the facility however a termination fee of 2% of the undrawn investment amount is payable (in shares, at the Company's election) if amounts are not drawn down when available. Under the facility, Magna will also receive a commitment fee of 4% of the investment amount at the funding of each tranche payable in shares. Refer to Note 9 for further details on the Magna facility.

Contingent license fees for Sierra Leone projects

As disclosed in note 6, the company is of the view that there is no present obligation with respect to accrued exploration license fees since 2015 for its Sierra Leone projects due to the Company declaring force majeure and therefore the liability has been reversed in the financial statements. The company is pursuing legal proceedings and whilst it is confident it will be successful in its claim, any possible obligation remaining will be confirmed following the outcome of this legal proceeding.

Other than as stated above the Company had no other movements in contingent liabilities as at 31 December 2018 from those disclosed at 30 June 2018.

15. RELATED PARTY TRANSACTIONS

On 13 December 2018, the Company issued 10,000,000 unlisted options to Director Stefan Muller as approved at the Company's 2018 AGM. The options are exercisable at $0.075 each on or before 30 June 2019 and were issued to provide a performance linked incentive component in the remuneration package of Mr Muller in order to motivate and reward the performance of Mr Muller in a manner that aligns with shareholders' interests.

There are no significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2018 annual financial report.

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 January 2019 the Company entered into a trading halt pending an announcement regarding the Company's Kipushi Cobalt-Copper Tailing Project. On 8 January 2019, the Company entered into a voluntary suspension which remains in place at the date of signing these accounts.

On 13 March 2019 the Company entered into a loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

There are no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

17. FINANCIAL INSTRUMENTS

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Consolidated Entity as at 31 December 2018:

	At amortised cost	Fair value Through profit and loss	Fair value Through other comprehensive income
	$	$	$
Financial assets			
Trade and other receivables	244,636	-	-
Total current	244,636	-	-
Other financial assets	-	1,731,432	-
Total non-current	-	1,731,432	-
Total assets	244,636	1,731,432	-
Financial liabilities			
Trade and other payables	4,512,076	-	-
Convertible note	-	755,077	-
Total current	4,512,076	755,077	-
Long term loan payable	-	708,690	-
Total non-current	-	708,690	-
Total liabilities	4,512,076	1,463,767	-

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 31 December 2018:

	Carrying amount	Fair value
	$	$
Financial assets		
Trade and other receivables	244,636	244,636
Total current	244,636	244,636
Other financial assets	1,731,432	1,731,432
Total non-current	1,731,432	1,731,432
Total assets	1,976,068	1,976,068
Financial liabilities		
Trade and other payables	4,512,076	4,512,076
Convertible note	755,077	755,077
Total current	5,267,153	5,267,153
Long term loan payable	708,690	708,690
Total non-current	708,690	708,690
Total liabilities	5,975,843	5,975,843

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 2018 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 2018 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.

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Tony Sage
Director

Dated this 15 day of March 2019

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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 2018, 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 2018 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 2018 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.

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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, 15 March 2019