

CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2015



CAPE LAMBERT RESOURCES LIMITED
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2015

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**CAPE LAMBERT RESOURCES LIMITED
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**INTERIM FINANCIAL REPORT
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CORPORATE DIRECTORY

ABN

71 095 047 920

DIRECTORS

Tony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Jason Brewer
(Non-Executive Director)

COMPANY SECRETARY

Melissa Chapman

REGISTERED OFFICE

32 Harrogate Street
WEST LEEDERVILLE WA 6007
Telephone: (08) 9380 9555 Facsimile: (08) 9380 9666

AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000
Telephone: (08) 9429 2222 Facsimile: (08) 9429 2436

SHARE REGISTRAR

Computershare Investor Services
Level 2, 45 St George's Terrace
PERTH WA 6000
Telephone: (08) 9323 2000 Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE

CAPE LAMBERT RESOURCES LIMITED
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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 2015.

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
Ross Levin (retired effective 26 November 2015)

COMPANY SECRETARY

Melissa Chapman

REVIEW OF RESULTS AND OPERATIONS

Principal Activity

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

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

Review of Operations

Corporate

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

- During the period, the Company initiated and implemented numerous cost reduction measures resulting in corporate and administrative expenses (directors remuneration and employee benefits, consulting and professional services, occupancy, compliance and regulatory, travel and accommodation and other expenses) reducing by 42% from \$4.6m as at 31 December 2014 to \$2.7m as at 31 December 2015.
- On 18 August 2015 Cape Lambert's Executive Chairman Tony Sage reaffirmed his commitment to the Company by significantly increasing his shareholding via an off market purchase of 29,151,251 shares increasing his shareholding to 11.61%.
- The Company owns a 15.84% interest in Cauldron Energy Limited (ASX: CXU) (**Cauldron**). During the half year, Cauldron announced that current drilling has significantly extended the strike length of mineralization as well as announcing a mineral resource upgrade at its Bennett Well project.
- On 30 September 2015, FE Limited (ASX: FEL) (FEL), a company Cape Lambert owns a 57.74% interest in, announced that it had signed a binding conditional terms sheet to acquire 100% of Cardinal House Group Pty Ltd who is a provider of online social gaming products and real money gambling platforms. The transaction is progressing and expected to complete in March 2016.

Project Information

As at 31 December 2015, the Company's key projects were as follows:

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

The status of these assets during the half-year ending 31 December 2015 was as follows:

Marampa

- Due to the downturn in the commodities sector, and particularly the price of iron ore, the Company delayed discussion of the mine lease agreement with the authorities;
- The Company implemented further cost reduction measures in Sierra Leone by downsizing its workforce to the bare minimum needed to maintain the project during the care and maintenance period.

Rokel

- The Rokel Project was placed on care and maintenance.

Kukuna

- The Kukuna project remained under care and maintenance.

Cote D'Ivoire

- In August 2015, an application was made by subsidiary Aurum (Cote d'Ivoire) SA Limited for an exploration permit named Katiola North. The application remains in process by the authorities;
- A major international explorer and gold producer completed a stream sediment sampling program on the Katiola and Boundiali tenements during the half year. Following this program, discussions commenced with the explorer regarding the purchase of the three granted tenements held by Metals Exploration (Cote d'Ivoire) SA Ltd.

Wee McGregor

- The Company announced on 2 November 2015 that it had executed a Farm-in Joint Venture Agreement with Argosy Minerals Limited (Argosy)(ASX: AGY) for its tenements ML 2504, ML 2773 and ML 90098. Argosy subsequently announced a maiden JORC inferred resource of 1.65Mt @ 1.6% Cu during the quarter (refer Argosy ASX announcement dated 9 December 2015).
- Exploration licence application EPM25860 was granted.

Sandenia

- The Sandenia exploration licence expired in October 2015 and was not renewed;
- The camp and facilities remained under care and maintenance, with the Company seeking buyers for the camp.

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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 2015 of \$12,691,805 (31 December 2014: loss of \$11,923,381).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2015:

- On 11 January 2016, the Company announced that it had entered into an underwriting agreement with Gulf Energy International Limited for the placement of approximately 94 million shares at 4.25c per share to raise \$4m. On 9 March 2016, the Company announced the placement had closed and that funds were due for remittance by 31 March 2016.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2015.

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DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half -year ended 31 December 2015.

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



Tony Sage
Director

Dated this 15 day of March 2016

Auditor's independence declaration to the Directors of Cape Lambert Resources Limited

As lead auditor for the review of Cape Lambert Resources Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



G H Meyerowitz
Partner
15 March 2016

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 31 December 2015 \$	31 December 2014 \$
Revenue	3a	355,444	2,887,609
Other income	3b	301,765	1,702,873
Share based payments expense		(92,172)	(8,854)
Directors remuneration and employee benefits expenses		(836,188)	(1,879,728)
Consulting and professional services expenses		(474,959)	(1,009,253)
Occupancy expenses		(777,443)	(734,672)
Compliance and regulatory expenses		(103,247)	(212,745)
Travel and accommodation		(97,754)	(49,773)
Depreciation and amortisation expense		(349,021)	(483,248)
Loss on fair value of financial assets through profit and loss		(87,648)	(617,931)
Other expenses		(368,216)	(711,404)
Impairment of capitalised exploration	7	(5,857,097)	(9,811,037)
Impairment of investment in associate	8	(1,977,294)	-
Impairment of investment	6a	(274,948)	-
Impairment of receivable		(185,838)	-
Impairment of loans	5c	(824,724)	-
Impairment of interest receivable		(84,516)	-
Impairment of fixed assets	7	(630,579)	-
Impairment of unlisted investment		-	(50,000)
Share of net losses of associates accounted for using the equity method	8b	(327,370)	(945,218)
Loss before income tax		(12,691,805)	(11,923,381)
Income tax benefit / (expense)		-	-
Loss after income tax		(12,691,805)	(11,923,381)
Other comprehensive income/(expenditure) net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign exchange differences arising on translation of foreign operations		865,109	13,053,202
Share of reserves of associate accounted for using the equity method	8b	159,156	578,039
Net fair value gain on available for sale financial assets		500	-
Total comprehensive income / (loss) for the period		(11,667,040)	1,707,860
Loss after income tax attributable to:			
Members of Cape Lambert Resources Limited		(12,534,215)	(11,471,080)
Non-controlling interests		(157,590)	(452,301)
		(12,691,805)	(11,923,381)
Total comprehensive income / (loss) attributable to:			
Members of Cape Lambert Resources Limited		(11,509,450)	2,160,161
Non-controlling interests		(157,590)	(452,301)
		(11,667,040)	1,707,860
Loss per share attributable to members of Cape Lambert Resources Ltd			
Basic loss per share (cents per share)		(2.00)	(1.89)
Diluted loss per share (cents per share)		(2.00)	(1.89)

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015 \$	30 June 2015 \$
CURRENT ASSETS			
Cash and cash equivalents	14	4,690,026	9,033,714
Restricted cash	4	33,747	32,754
Trade and other receivables	5	1,463,736	2,484,339
TOTAL CURRENT ASSETS		6,187,509	11,550,807
NON-CURRENT ASSETS			
Other financial assets	6	830,807	1,684,663
Investments accounted for using the equity method	8	1,816,520	3,629,855
Restricted cash	4	81,833	81,833
Plant and equipment		806,979	1,669,232
Exploration and evaluation expenditure	7	13,358,982	15,683,601
TOTAL NON-CURRENT ASSETS		16,895,121	22,749,184
TOTAL ASSETS		23,082,630	34,299,991
CURRENT LIABILITIES			
Trade and other payables		3,596,361	3,724,738
Provisions		485,536	415,013
TOTAL CURRENT LIABILITIES		4,081,897	4,139,751
NON CURRENT LIABILITIES			
Provisions		385,719	401,818
TOTAL NON CURRENT LIABILITIES		385,719	401,818
TOTAL LIABILITIES		4,467,616	4,541,569
NET ASSETS		18,615,014	29,758,422
EQUITY			
Issued capital	9	189,786,328	189,786,328
Reserves		22,933,230	21,592,056
Retained earnings		(194,230,773)	(181,696,558)
Parent interests		18,488,785	29,681,826
Non-controlling interest		126,229	76,596
TOTAL EQUITY		18,615,014	29,758,422

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Retained earnings/ (accumulated losses)	Share Based Payment Reserve	Foreign Currency Translation Reserve	Business Combinati on Reserve	Parent Equity Interest	Non- controlling Interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2014	190,685,855	9,746,310	1,623,840	2,478,621	(1,603,919)	202,930,707	615,667	203,546,374
Loss for the year	-	(11,471,080)	-	-	-	(11,471,080)	(452,301)	(11,923,381)
Other comprehensive income								
Share of associate's share based payments reserve	-	-	565,396	-	-	565,396	-	565,396
Share of associate's foreign currency translation reserve	-	-	-	12,643	-	12,643	-	12,643
Foreign exchange differences arising on translation of foreign operations	-	-	-	13,053,202	-	13,053,202	-	13,053,202
Total comprehensive income for the half-year	-	(11,471,080)	565,396	13,065,845	-	2,160,161	(452,301)	1,707,860
Transactions with owners in their capacity as owners								
On market buy back	(899,527)	-	-	-	-	(899,527)	-	(899,527)
Dividend paid	-	(12,533,732)	-	-	-	(12,533,732)	-	(12,533,732)
Dividend provided for	-	(12,533,732)	-	-	-	(12,533,732)	-	(12,533,732)
Share based payments during the period	-	-	8,854	-	-	8,854	-	8,854
Transactions with equity holders in their capacity as equity holders	(899,527)	(25,067,464)	8,854	-	-	(25,958,137)	-	(25,958,137)
Balance at 31 December 2014	189,786,328	(26,792,234)	2,198,090	15,544,466	(1,603,919)	179,132,731	163,366	179,296,097

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CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 31 December 2015 \$	31 December 2014 \$
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		(2,438,490)	(7,915,144)
Interest received		52,101	805,550
Income tax paid		-	(2,465,106)
Net cash used in operating activities		(2,386,389)	(9,574,700)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation	7	(2,777,984)	(8,557,425)
Purchase of property, plant and equipment		-	(46,301)
Payment of restricted cash balances in relation to environmental bonds / performance bonds		-	(12,500)
Purchase of equity investments	6a	(30,000)	(588,888)
Loans		-	(9,885,362)
Purchase of royalty asset	6c	-	(13,766,142)
Payment on subscription to convertible loan notes		156,750	(250,250)
Proceeds received as deferred consideration on sale of prospect		-	51,504,270
Proceeds from sale of equity investments	6a	201,270	49,327
Repayment of loans received	5	40,000	650,000
Net cash from / (used in) investing activities		(2,409,964)	19,096,729
CASHFLOWS FROM FINANCING ACTIVITIES			
On-market buy back		-	(899,527)
Dividend paid		-	(12,533,732)
Proceeds from issuing loan note (before costs)	10	431,460	-
Net cash provided by / (used in) financing activities		431,460	(13,433,259)
Net decrease in cash and cash equivalents		(4,364,896)	(3,911,230)
Cash and cash equivalents at beginning of period		9,033,714	20,490,719
Foreign exchange difference		21,208	102,346
Cash and cash equivalents at end of period	14	4,690,026	16,681,835

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

General Information

This general purpose condensed financial report for the half-year ended 31 December 2015 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of Directors on 15 March 2016

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 2015 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 2015 the Consolidated Entity had cash and cash equivalents of \$4,690,026 (30 June 2015: \$9,033,714) and net assets of \$18,615,014 (30 June 2015: \$29,758,422). On 11 January 2016, the Company announced that it had entered into an underwriting agreement with Gulf Energy International Limited for the placement of approximately 94 million shares at 4.25c per share to raise \$4m. On 9 March 2016, the Company announced the placement had closed and that funds were due for remittance by 31 March 2016.

The ability of the Consolidated Entity to fulfil its proposed activities in the next 12 months is dependent on the funds from this placement being received, or alternatively the realisation of certain of the Consolidated Entity's assets, including deferred consideration and loans receivable, for which recovery is not a certainty.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Consolidated Entity will be able to continue its planned operations and the Consolidated Entity will be able to meet its obligations as and when they fall due because the directors are confident that the funds from the placement will be received by the specified remittance date and that the Consolidated Entity will be able to realise certain of its assets if required. Should the Consolidated Entity not achieve the matters set out above, there is uncertainty whether the Consolidated Entity would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Consolidated Entity not be able to continue as a going concern.

Significant Accounting Policies

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

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New and amended accounting standards and interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2015, including:

Reference	Title	Summary
AASB 2015-3	Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 <i>Materiality</i>	The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

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 2015 for a discussion of the significant estimates and judgments.

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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 FROM OPERATIONS

	31 December 2015 \$	31 December 2014 \$
(a) Revenue		
Interest	169,609	2,729,795
Rental revenue	185,835	157,814
	355,444	2,887,609
(b) Other income		
Foreign currency gains	22,435	1,593,699
Other	279,330	109,174
	301,765	1,702,873

4. RESTRICTED CASH

	31 December 2015 \$	30 June 2015 \$
Current		
Term deposits	33,747	32,754
Movement		
Brought forward	32,754	16,431
Payment of restricted cash in relation to environmental bonds	-	12,500
Exchange differences	993	3,823
	33,747	32,754
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) Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas; and
- (b) Landlords of leased properties.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. TRADE AND OTHER RECEIVABLES

	31 December 2015	30 June 2015
	\$	\$
Trade and other receivables – current		
Trade debtors	3,587,119	3,440,182
Deferred consideration receivable (a)	2,500,000	2,500,000
GST recoverable and other debtors	83,203	79,703
Prepayments	482,180	521,588
Interest receivable	96,260	91,429
Loans receivable (b)	639,250	1,589,694
Allowance for doubtful debts	(5,924,276)	(5,738,257)
	1,463,736	2,484,339

(a) Deferred consideration receivable payable on the achievement of a production milestone. This receivable was provided for in full as at 30 June 2015.

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

		Carrying value of loans 31 December 2015	30 June 2015
	Interest rate	\$	\$
Current			
Loan of \$200,000	0%	160,000	200,000
Loan of \$400,000	12.0%	400,000	400,000
Loan of \$200,000 and US\$150,000	10.0%	419,184	408,944
Convertible loan note of \$250,250	15.0%	159,250	250,250
Loan of \$320,000	10.0%	320,000	320,000
Loan of USD\$8,000,000	Libor + 6%	10,447,200	10,447,200
Loan of GBP 200,000	10.0%	405,540	410,500
Carrying value of loans		12,311,174	12,436,894
Impairment of receivables		(11,671,924)	(10,847,200)
Current carrying value at amortised cost at balance date		639,250	1,589,694

Reconciliation of movement in loans receivable

	6 Months to 31 December 2015	Year ended 30 June 2015
	\$	\$
Opening balance	1,589,694	1,450,000
Payment/(Repayment) on subscription for convertible loan notes	(91,000)	250,250
Loans advanced	-	11,176,144
Loans to associated entities	-	410,500
Repayment of loans	(40,000)	(650,000)
Conversion of convertible loan notes	-	(200,000)
Impairment of loans receivable (c)	(824,724)	(10,847,200)
Foreign exchange movements	5,280	-
Current carrying value at amortised cost at balance date	639,250	1,589,694

(c) During the period, the Company provided in full for the \$200,000 and US\$150,000 loans with International Goldfields Limited (ASX: IGS) and the loans with European Lithium Limited which amounted to £200,000.

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6. OTHER FINANCIAL ASSETS

	31 December 2015 \$	30 June 2015 \$
Non-Current		
<i>Financial Assets at Fair value through Profit or Loss</i>		
Shares in listed entities (a)	662,008	1,515,864
Call Options (b)	68,799	68,799
	730,807	1,584,663
<i>Financial Assets Available-for-sale</i>		
Royalty asset (c)	-	-
Shares in unlisted entity (d)	100,000	100,000
Total Financial Assets	830,807	1,684,663

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

	6 Months to 31 December 2015 \$	Year ended 30 June 2015 \$
Brought forward	1,515,864	2,071,281
Shares in listed entity received upon advance of loan	-	321,725
Purchase of equity investments	30,000	289,132
Reclassification of financial asset at fair value through profit or loss to associate	(332,173)	-
Loss on fair value of financial assets through profit and loss	(87,648)	(1,107,737)
Gain on fair value of financial assets through available for sale reserve	500	-
Disposal of equity investments	(189,587)	(58,537)
Impairment of equity investments	(274,948)	-
	662,008	1,515,864

b) Conversion of call options exercised

In June 2015 the Company executed a loan agreement with Latin Resources Limited which included as part consideration 10,000,000 share call options in Latin. The Company recognised a profit on fair value of these options through the profit and loss of \$68,799.

c) Royalty asset

On 22 October 2014, the Company entered into a US\$20 million funding agreement with Timis Mining (**Agreement**) to assist it with the acquisition of London Mining's Marampa Iron Ore Mine (**Mine**) from the administrator of London Mining PLC. The Agreement was divided into two parts, being (a) US\$8 million Bridging Finance loan and US\$12 million for the purchase of a royalty (**Royalty Purchase**). Pursuant to the Royalty Purchase, Cape Lambert will receive US\$2 per tonne of iron concentrate exported from the Mine (**Royalty**), payable on a quarterly basis on production of 24mt from the Mine from the date of the first export shipment of iron ore from the Mine, being 28 December 2014.

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6. OTHER FINANCIAL ASSETS (CONTINUED)

The Royalty asset has been classified as an available-for-sale financial asset valued using a discounted cash flow model (level 3 in the fair value hierarchy). The key input into the valuation method is expected future shipments.

	6 Months to 31 December 2015	Year ended 30 June 2015
	\$	\$
Brought forward	-	-
Purchase of royalty asset	-	13,766,142
Interest recognised based on the effective interest rate method	-	1,748,333
Cash proceeds received	-	(390,469)
Royalties due and payable	-	(3,238,257)
Foreign exchange	-	1,007,144
Impairment of royalty asset	-	(12,892,893)
	<u>-</u>	<u>-</u>

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

	6 Months to 31 December 2015	Year ended 30 June 2015
	\$	\$
Brought forward – at cost less impairment	100,000	3,086,669
Impairment of investment	-	(2,986,669)
	<u>100,000</u>	<u>100,000</u>

7. EXPLORATION AND EVALUATION EXPENDITURE

	6 Months to 31 December 2015	Year ended 30 June 2015
	\$	\$
Exploration and evaluation phases	<u>13,358,982</u>	<u>15,683,601</u>
Movement in carrying amounts		
Brought forward	15,683,601	125,755,066
Exploration and evaluation expenditure capitalised	2,777,984	13,488,286
Exploration assets divested during the year	-	(75,000)
Exploration expenditure impaired during the period (a)	(5,857,097)	(140,859,803)
Foreign currency gains / (losses)	754,494	17,375,052
Total exploration and evaluation phases	<u>13,358,982</u>	<u>15,683,601</u>

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.

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7. EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

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.

(a) Impairment

During the six months ended 31 December 2015, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation to the extent of \$5,857,097 (six months ended 31 December 2014: \$9,811,037). The impairment made during the period was recognised on areas of interest where sufficient data existed at balance date to indicate that the carrying amount of the exploration and evaluation asset was unlikely to be recovered in full from successful development or by sale.

The estimated recoverable amount of the Cote D'Ivoire project was determined to be \$410,970 on the basis of fair value less costs to dispose (level 3 in the fair value hierarchy).

Impairment of \$630,579 was also recognised on fixed assets associated with the Guinea exploration activities, on the basis of an arms-length transaction, which the directors believe represents fair value in an orderly transaction (level 3 in the fair value hierarchy).

8. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2015	30 June 2015
	\$	\$
Investments in associates accounted for using the equity method	1,816,520	3,629,855

(a) Investment details

	Percentage held at balance date		31 December 2015	30 June 2015
	31 Dec 2015	30 June 2015	\$	\$
Cauldron Energy Limited ¹	15.8	17.1	1,484,347	1,652,560
European Lithium Limited ²	21.9	21.9	-	1,977,295
International Goldfields Limited ³	21.4	21.4	332,173	-
			1,816,520	3,629,855

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 15 August 2014 Global Strategic Metals Limited (**Global**) was removed from the official list of the Australian Securities Exchange following the demerger and pro-rata in specie distribution of 80% of the shares in European Lithium Limited. In line with the demerger Global retained the Elizabeth Hill project and European Lithium Limited retained the Wolfsberg Lithium project. Shareholders retained their shareholding in Global and were issued shares in European Lithium Limited on a pro-rata in specie distribution basis. The value of Cape Lambert's investment in Global was largely transferred to European Lithium given the value of the Wolfsberg Lithium project relative to the Elizabeth Hill project.

³ During the period, the investment in IGS was reclassified from financial assets at fair value through profit or loss to associate.

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8. INVESTMENTS IN ASSOCIATED ENTITIES (CONTINUED)

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

	31 December 2015	30 June 2015
	\$	\$
Balance at beginning of period	3,629,855	3,652,394
Purchase of shares	-	299,756
Sale of shares	-	(26,801)
Conversion of convertible loan notes	-	633,913
Share of losses of associates recognised during the period	(327,370)	(1,276,384)
Share of reserves of associates recognised during the period	159,156	346,975
Reclassification of financial asset at fair value through profit or loss to associate ³	332,173	-
Impairment of investment in associate ²	(1,977,294)	-
	<u>1,816,520</u>	<u>3,629,855</u>

² During the period the Company recognised an impairment on the investment in unlisted entity European Lithium Limited as the information available at balance date did not indicate that the Company's investment would be recovered in full.

³ During the period, the investment in IGS was reclassified from financial assets at fair value through profit or loss to associate.

9. ISSUED CAPITAL

	31 December 2015	30 June 2015
	\$	\$
626,686,586 fully paid ordinary shares (30 June 2015: 626,686,586)	<u>189,786,328</u>	<u>189,786,328</u>

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.

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10. CONTINGENT ASSET

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

In March 2012, Johannesburg Stock Exchange listed Exxaro Resources Limited completed a takeover offer for all of the shares and listed options in African Iron Limited, a company in which the Company held 126,700,000 shares, delivering \$72.2 million in cash to the Company. African Iron Limited owns the Mayoko Iron Ore Project which is located in the Republic of Congo (**Mayoko Project**). As part of the takeover transaction, the Company retains a production royalty of AUD\$1.00 (indexed annually to the CPI) per tonne of iron ore shipped from the Mayoko Project (**Mayoko Royalty**).

On 6 February 2014, the Company released an announcement advising shareholders that Exxaro Resources Limited has been granted a Mining Convention for the Mayoko Project.

As at 31 December 2015, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

11. RELATED PARTY TRANSACTIONS

There were no significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2015 annual financial report.

12. FINANCIAL INSTRUMENTS

Financial Instruments

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

	31 December 2015 \$	30 June 2015 \$
Financial assets:		
Cash and cash equivalents	4,690,026	9,033,714
Restricted cash	115,580	114,587
Trade and other receivables	1,463,736	2,484,339
Other financial assets	1,162,981	1,684,663
	7,432,323	13,317,303
Financial liabilities:		
Trade and other payables	3,596,361	3,724,738
	3,596,361	3,724,738

(a) Fair Value Estimation

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

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

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

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The following table presents the Consolidated Entity's assets measured at fair value at 31 December 2015.

12. FINANCIAL INSTRUMENTS (CONTINUED)

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
<i>Financial assets at Fair value through Profit and Loss</i>				
Shares in listed entities	944,182	-	-	944,182
	<u>944,182</u>			<u>944,182</u>

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2015.

	Level 1 \$	Level 2 \$	Total \$
Financial assets:			
<i>Financial assets at Fair value through Profit and Loss</i>			
Shares in listed entities	1,515,864	-	1,515,864
	<u>1,515,864</u>	<u>-</u>	<u>1,515,864</u>

13. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 31 December 2015:

- On 11 January 2016, the Company announced that it had entered into an underwriting agreement with Gulf Energy International Limited for the placement of approximately 94 million shares at 4.25c per share to raise \$4m. On 9 March 2016, the Company announced the placement had closed and that funds were due for remittance by 31 March 2016.

14. 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 2015 \$	31 December 2014 \$
<i>Cash and cash equivalents</i>		
Cash in banks and on hand	4,690,026	16,681,835
Deposits at call	-	-
Cash and cash equivalents per consolidated statement of cash flows	<u>4,690,026</u>	<u>16,681,835</u>
Less: cash and cash equivalents classified as held for sale	-	-
Cash and cash equivalents per consolidated statement of financial position	<u>4,690,026</u>	<u>16,681,835</u>

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14. NOTE TO THE CASH FLOW STATEMENT (CONTINUED)

(b) Non-Cash Activities

Current year

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

Prior year

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2014.

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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 2015 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 2015 and of its performance for the half-year ended on that date; and

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

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

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



Tony Sage
Director

Dated this 15 day of March 2015

To the members of Cape Lambert Resources Limited

Report on the interim financial report

We have reviewed the accompanying interim financial report of Cape Lambert Resources Limited, which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the half-year ended on that date and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cape Lambert Resources Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

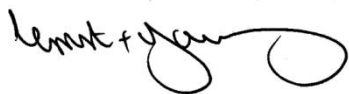
Review conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter

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



Ernst & Young



G H Meyerowitz
Partner
Perth
15 March 2016