CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2012

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2012

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2012

CORPORATE DIRECTORY

ABN

71 095 047 920

DIRECTORS

Antony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

Ross Levin
(Non-Executive Director)

COMPANY SECRETARY

Claire Tolcon

REGISTERED OFFICE

32 Harrogate Street
WEST LEEDERVILLE WA 6007
Telephone: (08) 9388 9555 Facsimile: (08) 9388 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
ABN 71 095 047 920
AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2012

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 2012.

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.

Antony Sage
Timothy Turner
Brian Maher
Ross Levin

COMPANY SECRETARY

Claire Tolcon

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

During the half-year ended 31 December 2012, Cape Lambert completed a number of significant transactions including:

- In July 2012, the Consolidated Entity converted the $2,000,000 and $1,500,000 convertible loans (plus $465,889 interest receivable) into 19,829,452 shares in Cauldron Energy Limited.

- In December 2012, the Consolidated Entity exercised 1,060,000 Cauldron Energy Limited call options for $477,000.

- In December 2012, the Consolidated Entity exercised 5,450,000 Global Strategic Metals NL call options for $381,500.

Project information

As at 31 December 2012, the Company's key projects were as follows:

- Marampa Iron Ore Project ("Marampa" or "Marampa Project") located in Sierra Leone;
- Leichhardt Copper Project ("Leichhardt") located northeast of Mt Isa in Queensland, Australia;
- Kukuna Iron Ore Project ("Kukuna") located in Sierra Leone;
- Sandenia Iron Ore Project ("Sandenia") located in the Republic of Guinea;
- Rokel Iron Ore Project ("Rokel") located in Sierra Leone;
- A granted Northern Territory and Queensland land package of approximately 6,930 km^2 held by Australis Exploration Limited ("Australis") which is prospective for rock phosphate; and the
- Mojo Project ("Mojo") located south of Mt Isa prospective for large Mt Isa style base metal deposits under younger cover rocks.

The following milestones were achieved during the half-year ended 31 December 2012:

<u>Marampa</u>

- The Exploration Target[1] for Marampa was increased to between 300 and 570 Mt at 21% - 32% Fe for an aggregate 1.0–1.25 billion tonnes ("Bt"), (up from 0.7 – 1.0 Bt) at 20% – 38% Fe when including the Marampa Resource Estimate (680Mt at 28.2% Fe).
- A 15Mtpa scoping study ("Scoping Study") was completed in October 2012 which was based on a two staged project development with Stage 1 mining and processing the softer, higher grade oxide ores at a planned rate of 2.5Mtpa of concentrate production. The Stage 2 expansion increases production to 15Mtpa of concentrate within 18 months of commissioning Stage 1, resulting in a 15 year mine life based on the current 680Mt mineral resource.
- The Scoping Study confirmed that the Marampa Project has robust financial metrics with an ungeared (100% equity) after tax $NPV_{10\%}$ of US$1.56 billion, an internal rate of return of 26.2% and after tax cash flows of US$5.99 billion (assuming a sale price of $US100/t of concentrate, FOB Sierra Leone).
- Continued metallurgical testwork using alternate Wet High Intensity Magnetic Separation ("WHIMS") units has demonstrated better or near target (65% Fe) concentrate iron grades after a single cleaning stage compared to two stages in previous testwork. It is anticipated this will result in a simplified process flow sheet and is likely to reduce the capital and operating costs.
- The Company lodged the Environmental and Social Impact Assessment document with the Sierra Leone authorities, to commence the environmental permitting process for Marampa. The environmental licence is expected to be issued during Q1 2013.
- In December 2012, African Mineral Limited ("AML") announced that it would no longer be building a port at Tagrin, but rather expanding its existing Pepel Infrastructure. Due to this change, the Company has commenced an update of the 15Mtpa Scoping Study ("15Mtpa Scoping Study Update"), to incorporate the use of a transhipping port that was investigated in its previous 10Mtpa Scoping Study. The update will be managed by Bateman, with various other consultants updating their contributing studies as required.
- The 15Mtpa Scoping Study Update will be based on the same staged development as the initial 15Mtpa Scoping Study, other than for Stage 2, where the concentrate will be pumped to a Marampa owned transhipping port near the coast. It will also incorporate the improved metallurgical performance of the WHIMS equipment, which is likely to provide a significant reduction in capital and operating cost estimates. It is expected the 15Mtpa Scoping Study Update will be completed in Q2 2013.

[1] The estimates of Exploration Target sizes should not be misunderstood as estimates of Mineral Resources. The estimates of Exploration Target sizes are conceptual in nature and there has been insufficient results received from drilling to date to estimate a Mineral Resource in accordance with the JORC Code (2004). It is uncertain if further exploration will result in the determination of a Mineral Resource.

Leichhardt Copper Project

- Late in the June quarter 2012, the Company entered into a binding terms sheet to sell its wholly owned subsidiary Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project located 100 km north east of Mt Isa, in accordance with the following terms:

  (a) A$10 million on settlement of the Transaction;
  (b) A$2.5 million on that date 24 months after the settlement date; and
  (c) A$2.5 million on that date 36 months after the settlement date.

  Due diligence by the purchaser was delayed until late in the December quarter 2012 and the Company expects the sale to be finalised in the current quarter.

- Positive results were returned from drilling of copper soil anomalies within trucking distance to the Mt Cuthbert plant including assays ranging from 0.94% Cu to 2.52%Cu.

Kukuna

- Focus was placed on consolidating all of the existing information for review and assessment to aid in the development of a future exploration strategy for the district.
- The existence of a pervasive supergene enriched mineralised zone is evident between 10m and 14m thick in between the surficial duricrust and the un-weathered mineralisation at depth. The enrichment continues across lithological boundaries and is suspected to be confined within pseudo palaeo channels.
- A Rotary Air Blast ("RAB") drilling program is planned for H2 2013 to provide an improved representation of the overall project mineralisation potential. This will be systematically followed up with appropriate resource exploration/definition techniques to enable progression of the project.

Sandenia

- Prospect mapping and trenching continued during the half year. A composite geological map in conjunction with an exploration progress report is being formulated for the district and is expected to be completed during Q1 2013.
- A RAB drilling program is planned for H2 2013. This will rapidly and effectively define the potential of the asset ahead of further targeted exploration comprised of RC and diamond drilling.

Rokel

- A total of 36 cross sectional trenches have been excavated along the 7 km length of the Kumrabai prospect, all of which have intersected Specularite Schist ("SQS") and returned significant assays up to 43% Fe over varying lengths.
- A 5,000m RC drilling proposal of 38 holes on 400m line spacings has been prepared and will be executed during H2 2013.
- Mapping in the Lankono Prospect (due west along strike of the Mafuri deposit on the Marampa lease) has identified numerous outcrops of SQS and significant SQS float in two discrete clusters. This will be followed up with further mapping, RAB drilling and minor pit excavation during H2 2013.

Australis

- Preliminary geochemical fieldwork on tenements held in the Northern Territory using a handheld XRF determined a number of sites requiring follow up soil sampling. One of the sites returned significant anomalous phosphate assays over background levels and was subsequently followed up with a more detailed soil geochemical program. This resulted in the identification of a coherent 2km by 1km phosphate soil anomaly located on the postulated margins of the Georgina Basin and associated with rocks of the prospective Wonorah Formation.
- A follow up hand auger program has extended the anomaly out to 8.8km by 1km and has demonstrated a grade increase over the surface samples by an average of 35% to a depth of 30cm. In comparison to other known phosphate deposits in the region, a very similar grade profile can be seen, lending support to the potential for an economic deposit at depth.
- The Company is encouraged by the results so far and a small air core drilling program is planned for H2 2013.

Mojo Project

- Two stratigraphic drill holes were designed and drilled to test theoretical locations where proterozoic basement rocks were postulated at <500m below surface and the magnetic anomalies were coincident with interpreted major structural features. These holes were targeting Mt Isa style rocks expected to be an extension of the Mt Isa Inlier found to the north.
- Basement rocks of the Mt Isa inlier were intersected at a depth of 612m, beneath Cambrian limestones.
- Three zones of elevated copper mineralisation were discovered with one returning a result of 0.21% Cu over a 90cm intersection within a strongly altered meta-basalt characterised by albite-quartz and hematite alteration with sulphides. This result is significant in the context of a greenfields discovery.
- This drilling indicates that rocks of the Mt Isa inlier extend as far south as the Mojo tenements and that the alteration characteristics of the Mt Isa Inlier as well as mineralisation, also occur at Mojo.

Competent Person:
The contents of this Report relating to Exploration Results are based on information compiled by Dennis Kruger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Kruger 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 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kruger consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

Competent Person:
The contents of this Report relating to Mineral Resources and Ore Reserves 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 2004 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.

Competent Person:
The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr Mike Wardell-Johnson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wardell-Johnson is a consultant to Cape Lambert and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves". Mr Wardell-Johnson consents to the inclusion in this report of the information in the form and context in which it appears.

DIRECTORS REPORT

The Board intends to continue to follow its strategy of acquiring and investing in undervalued mineral assets and companies, and adding value to these assets through a hands on approach to management, exploration and evaluation to enable the assets to be monetised at a multiple. As assets are monetised, the Board 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 2012 of $12,392,537 (31 December 2011: profit of $2,385,612).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2012:

- In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company will be subsequently cancelled. As at 7 March 2013, the Company paid $337,260 to buy back 1,375,000 shares.

- In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 31 December 2012, no amounts had been drawn down from this facility. Subsequent to balance date, $345,000 has been drawn down.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2012.

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 2012.

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

Antony Sage
Director

Dated this 7th day of March 2013

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

In relation to our review of the financial report of Cape Lambert Resources Limited for the half-year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
7 March 2013

CAPE LAMBERT RESOURCES LIMITED
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AND ITS CONTROLLED ENTITIES

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For the Half-Year Ended 31 December 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 31 December 2012 $	31 December 2011 $
Revenue	3a	**2,077,393**	1,620,985
Other income	3b	**868,323**	23,546,531
Share based payments expense		**(57,469)**	(537,595)
Directors remuneration and employee benefits expenses		**(1,486,613)**	(1,560,171)
Consulting expenses		**(642,644)**	(6,711,680)
Professional Services		**(1,328,594)**	-
Occupancy expenses		**(646,541)**	(513,088)
Compliance and regulatory expenses		**(150,981)**	(213,112)
Travel and accommodation		**(238,596)**	(496,823)
Depreciation and amortisation expense		**(607,812)**	(195,500)
Finance costs		**(151,990)**	(34,936)
Loss on fair value of financial assets through profit and loss		**(5,414,313)**	(5,436,517)
Other expenses		**(1,084,738)**	(1,766,416)
Explorations costs expensed		**(148,322)**	-
Impairment of capitalised exploration		**(372,377)**	-
Impairment of loans receivable		**-**	(91,472)
Share of net losses of associates accounted for using the equity method	8b	**(2,142,664)**	(607,743)
Impairment of investments in associates	8d	**(7,536)**	(1,281,289)
Loss on extinguishment of debt		**-**	(1,094,445)
Profit /(loss) before income tax		**(11,535,479)**	4,626,729
Income tax benefit /(expense)		**(857,058)**	(2,241,117)
Profit/(loss) after income tax		**(12,392,537)**	2,385,612
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		**(2,293,598)**	(2,297,168)
Foreign exchange differences on translation of foreign operations released on disposal of controlled entities		**-**	283,256
Share of reserves of associate accounted for using the equity method		**82,035**	(268,506)
Total comprehensive income/(loss) for the period		**(14,604,100)**	103,194
Profit/(loss) after income tax attributable to:			
Members of Cape Lambert Resources Limited		**(12,392,537)**	2,385,612
Total comprehensive income/(loss) attributable to:			
Members of Cape Lambert Resources Limited		**(14,604,100)**	103,194
Basic earnings/(loss) per share (cents per share)		**(1.7983)**	0.3675
Diluted earnings/(loss) per share (cents per share)		**(1.7983)**	0.3675

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
	Note	**31 December 2012**	**30 June 2012**
		$	**$**
CURRENT ASSETS			
Cash and cash equivalents	14	**49,235,935**	87,524,867
Restricted cash	4	**6,222,495**	652,344
Trade and other receivables	5	**8,596,824**	11,681,678
Assets classified as held for sale	11	**115,300,628**	110,520,018
TOTAL CURRENT ASSETS		**179,355,882**	210,378,907
NON-CURRENT ASSETS			
Other financial assets	6	**22,541,135**	26,705,963
Investments accounted for using the equity method	8	**11,842,196**	9,085,972
Restricted cash	4	**81,833**	2,473,807
Plant and equipment		**2,922,741**	3,037,362
Exploration and evaluation expenditure	7	**149,552,589**	145,498,558
Prepaid tax	9	**10,000,000**	-
Deferred tax asset		**567,150**	77,644
TOTAL NON-CURRENT ASSETS		**197,507,644**	186,879,306
TOTAL ASSETS		**376,863,526**	397,258,213
CURRENT LIABILITIES			
Trade and other payables		**3,421,176**	4,647,106
Provisions		**136,671**	68,517
Current tax liabilities	9	**-**	6,428,925
Liabilities directly associated with assets held for sale	11	**14,206,886**	12,468,241
TOTAL CURRENT LIABILITIES		**17,764,733**	23,612,789
TOTAL LIABILITIES		**17,764,733**	23,612,789
NET ASSETS		**359,098,793**	373,645,424
EQUITY			
Issued capital	10	**197,050,776**	197,050,776
Reserves		**(3,369,771)**	(1,215,677)
Retained earnings		**165,417,788**	177,810,325
TOTAL EQUITY		**359,098,793**	373,645,424

The accompanying notes form part of this financial report.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital $	Retained earnings $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Business Combination Reserve $	Total $
Balance at 1 July 2012	**197,050,776**	**177,810,325**	**1,641,973**	**(1,253,731)**	**(1,603,919)**	**373,645,424**
Loss for the year	-	(12,392,537)	-	-	-	(12,392,537)
Other comprehensive income						
Share of associate's share based payments reserve	-	-	(36,121)	-	-	(36,121)
Share of associate's foreign currency translation reserve	-	-	-	118,156	-	118,156
Foreign exchange differences arising on translation of foreign operations	-	-	-	(2,293,598)	-	(2,293,598)
Total comprehensive income for the half-year	-	(12,392,537)	(36,121)	(2,293,598)	-	(14,604,100)
Transactions with owners in their capacity as owners						
Share based payments expense	-	-	57,469	-	-	57,469
Transactions with equity holders in their capacity as equity holders	-	-	57,469	-	-	57,469
Balance at 31 December 2012	**197,050,776**	**165,417,788**	**1,663,321**	**(3,429,173)**	**(1,603,919)**	**359,098,793**

The accompanying notes form part of this financial report.

CAPE LAMBERT RESOURCES LIMITED
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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital $	Retained earnings $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Business Combination Reserve $	Non-controlling interests $	Total $
Balance at 1 July 2011	167,528,846	155,086,616	1,828,484	(1,099,712)	-	12,698,566	336,042,800
Loss for the year	-	2,385,612	-	-		-	2,385,612
Other comprehensive income							
Share of associate's share based payments reserve	-	-	(184,348)	-		-	(184,348)
Share of associate's foreign currency translation reserve	-	-	-	(84,158)		-	(84,158)
Foreign exchange differences arising on translation of foreign operations	-	-	-	(2,297,168)		-	(2,297,168)
Foreign exchange differences on translation of foreign operations released on disposal of controlled entities	-	-	-	283,256		-	283,256
Total comprehensive income for the half-year	-	2,385,612	(184,348)	(2,098,070)		-	103,194
Transactions with owners in their capacity as owners							
Issue of shares as consideration of non controlling interests	9,302,485				(1,603,919)	(12,698,566)	(5,000,000)
Issue of shares in settlement of deferred purchase consideration	17,429,445	-	-	-	-	-	17,429,445
Issue of shares upon exercise of options	2,340,000	-	-	-		-	2,340,000
Share based payments expense	-	-	537,595	-		-	537,595
Transactions with equity holders in their capacity as equity holders	29,071,930	-	537,595	-	(1,603,919)	(12,698,566)	15,307,040
Balance at 31 December 2011	**196,600,776**	**157,472,228**	**2,181,731**	**(3,197,782)**	**(1,603,919)**	**-**	**351,453,034**

The accompanying notes form part of this financial report.

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For the Half-Year Ended 31 December 2012

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 31 December 2012 $	31 December 2011 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(7,486,408)**	(13,809,589)
Interest received		**1,670,719**	806,670
Interest and other finance costs paid		**(58,493)**	(34,936)
Receipts – other		**-**	91,525
Income tax paid	9	**(16,281,195)**	-
Net cash used in operating activities		**(22,155,377)**	(12,946,330)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interest in associated entity	8b	**(858,500)**	(2,029,990)
Payments for exploration and evaluation		**(9,761,043)**	(13,903,229)
Purchase of property, plant and equipment		**(735,184)**	(906,813)
Payment of restricted cash balances in relation to environmental bonds / performance bonds		**(3,304,282)**	(15,837)
Release of restricted cash balances in relation to environmental bonds / performance bonds		**115,104**	581,590
Purchase of equity investments		**(684,933)**	(7,320,379)
Loans to associated entity		**(1,111,000)**	(1,026,000)
Payment on subscription to convertible loan notes		**(1,000,000)**	-
Proceeds received as deferred consideration on sale of prospect		**660,000**	-
Proceeds from sale of equity investments		**-**	2,000,000
Cash balances disposed of on disposal of controlled entity		**-**	(92,720)
Repayment of loans received		**-**	32,660,660
Net cash provided by / (used in) investing activities		**(16,679,838)**	9,947,282
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		**-**	2,340,000
Purchase of non-controlling interest		**-**	(5,000,000)
Net cash provided by / (used in) financing activities		**-**	(2,660,000)
Net decrease in cash and cash equivalents		**(38,835,215)**	(5,659,048)
Cash and cash equivalents at beginning of period		**88,411,909**	43,096,285
Foreign exchange difference		**-**	69,734
Cash and cash equivalents at end of period	14	**49,576,694**	37,506,971

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 2012 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2012 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 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.

Significant Accounting Policies

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

New and amended accounting standards and interpretations

From 1 July 2012 the Company has adopted all Australian Accounting Standards and Interpretations effective for annual periods beginning on or before 1 July 2012.

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 2012 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.

	31 December 2012 $	31 December 2011 $
3. PROFIT/(LOSS) FROM OPERATIONS		
(a) Revenue		
Interest	**1,989,411**	1,566,489
Rental revenue	**84,996**	53,365
Other	**2,986**	1,131
	2,077,393	1,620,985
(b) Other income		
Gain on sale of controlled entities	**-**	19,649,881
Gain on settlement of loans	**-**	1,016,310
Gain on disposal of financial assets	**-**	750,000
Gain on receipt of call option	**-**	825,576
Foreign currency gains	**250,520**	1,279,731
Other	**617,803**	25,033
	868,323	23,546,531

4. RESTRICTED CASH	Consolidated 31 December 2012 $	Consolidated 30 June 2012 $
Current		
Term deposits	**6,222,495**	652,344
Non current		
Term deposits	**81,833**	2,473,807

Restricted cash relates to term deposits 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.

The term deposits are not readily accessible by Cape Lambert.

5. TRADE AND OTHER RECEIVABLES

	31 December 2012 $	30 June 2012 $
Trade and other receivables – current		
Trade debtors	**79,482**	314,324
GST recoverable and other debtors	**233,500**	314,228
Prepayments	**225,076**	161,087
Interest receivable	**543,161**	814,384
Deferred consideration receivable	**2,500,000**	3,200,000
Loans to ASX-listed entities (a)	**5,015,605**	6,678,218
Funds in trust	**-**	199,437
	8,596,824	11,681,678

(a) Current loans to ASX listed entities as follows:

	Interest rate	Carrying value of loans 31 December 2012 $	Carrying value of loans 30 June 2012 $
Current			
Drawdown from $2,000,000 loan facility (i)	6.99%	**2,000,000**	1,289,000
Loan of $400,000 (ii)	16.0%	**400,000**	-
Convertible loan note of $2,000,000 (iii)	12.0%	**1,693,841**	1,693,841
Convertible loan note of $1,000,000 (iii)	10.0%	**604,113**	-
Convertible loan note of $2,000,000 (iv)	10.0%	**-**	1,098,667
Convertible loan note of $1,500,000 (iv)	10.0%	**-**	1,020,822
Fair value of loans at inception		**4,697,954**	5,102,330
Interest receivable recognised using the effective interest rate		**932,502**	2,798,737
Interest received at the coupon rate		**(514,851)**	(1,122,849)
Partial repayment of loan note		**(100,000)**	(100,000)
Current carrying value at amortised cost at balance date		**5,015,605**	6,678,218

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

(i) In June 2011, the Company entered into a $2,000,000 standby facility agreement ("Facility") with Fe Limited in which Cape Lambert holds a 19.9% interest. Interest is payable on the amounts drawn down under the facility at the cash rate plus 3%. Amounts drawn down in respect of the facility will become repayable at the earlier of:

a. 31 December 2013;
b. Or upon receipt of proceeds by Fe Limited from completion of its sale of its wholly owned subsidiary Gympie Eldorado Pty Ltd and sale of freehold land currently held by this subsidiary.

(ii) In December 2012, the Company advanced $400,000 to Global Strategic Metals NL ("Global"). Interest is payable at 16.0%. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global Strategic Metals NL exercisable at $0.10 each on or before 31 January 2015. The loan is repayable the earlier of:

a. That day which is five days after receipt of cleared funds of no less than $1,500,000 by Global by way of a debt or equity fundraising;
b. 31 December 2013; and
c. 5 Business Days after the dale on which Global receives a notice from the Lender.

(iii) At inception, the conversion options embedded within the above convertible loan agreements were fair valued using a Black-Scholes Option Pricing Model. The fair values of the options were recognised as financial assets at fair value through profit and loss and reduced the carrying value assigned to the loans receivable balances. Subsequent to their initial recognition, the loans receivable have been measured at amortised cost using the effective interest rate method.

(iv) In July 2012, the Consolidated Entity converted the convertible loan notes (plus interest accrued) into shares in an associate entity. Refer to note 8(b) for details.

(b) The recoverability of loans (including interest receivable) have been assessed for impairment as at 31 December 2012. No amounts have been considered impaired as at 31 December 2012.

6. OTHER FINANCIAL ASSETS

	31 December 2012 $	30 June 2012 $
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	**15,216,263**	19,127,628
Conversion options (b)	**164,419**	-
Call options (b)	**135,453**	578,335
	15,516,135	19,705,963
Financial Assets classified as Available-for-sale		
Shares in unlisted entities (c)	**7,025,000**	7,000,000
Total Financial Assets	**22,541,135**	26,705,963

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

	6 Months to 31 December 2012 $	Year ended 30 June 2012 $
Brought forward	**19,127,628**	17,725,237
Purchase of equity investments	**659,933**	6,570,743
Loss on fair value of financial assets through profit and loss	**(4,571,298)**	(5,459,448)
Disposal of equity investments	**-**	(3,155,480)
Interest in listed shares transferred to interest in associate	**-**	(1,000,000)
Listed shares received as part consideration on the sale of controlled entity	**-**	3,440,000
Gain on disposal of financial assets through profit and loss	**-**	1,006,576
	15,216,263	19,127,628

(b) Conversion and call options exercised during the year

31 December 2012

In July 2012, the Company converted the $2,000,000 and $1,500,000 convertible loans (plus $465,889 interest receivable) into 19,829,452 shares in Cauldron Energy Limited.

The Company exercised 1,060,000 Cauldron Energy Limited call options for $477,000 and 5,450,000 Global Strategic Metals NL call options $381,500.

During the period ended 31 December 2012, the Company recognised a loss on fair value of financial assets through profit and loss of $843,015 in relation to conversion and call options.

30 June 2012

No conversion or call options were exercised during the year ended 30 June 2012.

(c) Shares in unlisted entities

Investments in unlisted entities are classified as available for sale financial assets. These investments are traded in inactive markets and are carried at cost because their fair values cannot be reliably measured.

Management have assessed these investments for impairment and no indicators of impairment exist as at 31 December 2012.

7. EXPLORATION AND EVALUATION EXPENDITURE

	Note	6 Months to 31 December 2012 $	Year ended 30 June 2012 $
Exploration and evaluation phases – at cost		149,552,589	145,498,558
Movement in carrying amounts			
Brought forward		145,498,558	242,987,407
Exploration and evaluation expenditure capitalised		4,199,555	24,627,599
Exploration assets sold during the period (a)		-	(14,600,000)
Exploration expenditure impaired during the period (b)		(145,524)	(317,194)
Reclassified as held-for-sale	11	-	(107,199,254)
Total exploration and evaluation phases		149,552,589	145,498,558

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.

(a) Exploration assets sold

On 16 December 2011, the Company completed the sale of the Sappes Gold Project ("Sappes") to ASX listed Glory Resources Limited.

(b) Impairment

During the six months ended 31 December 2012, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation of $145,524 ($317,194: 30 June 2012) relating to tenements relinquished during the period. Exploration assets reclassified as held for sale have recognised an impairment loss of $226,853 during the six months ended 31 December 2012 due to tenements relinquished during the period.

8. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2012 $	30 June 2012 $
Investments in associates accounted for using the equity method	**11,842,196**	9,085,972

(a) Investment details

	Percentage held at balance date 31 Dec 2012	30 June 2012	31 December 2012 $	30 June 2012 $
International Goldfields Limited	26.0%	29.1%	**4,112,707**	4,680,073
Fe Limited	19.9%[1]	19.9%[1]	**482,764**	712,652
Cauldron Energy Limited	24.2%	18.4%	**4,137,065**	772,691
Kupang Resources Limited	14.0%[1]	14.0%[1]	**959,200**	959,200
Global Strategic Metals NL	19.5%[1]	19.8%[1]	**2,150,461**	1,961,356
			11,842,196	9,085,972

[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 Board's of these companies and the interchange of management personnel.

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

	31 December 2012 $	30 June 2012 $
Balance at beginning of period	**9,085,972**	38,109,367
Acquisition of shares in associates	**-**	4,139,620
Conversion of convertible loan notes in associate entity (i)	**3,965,889**	-
Exercise of call options in associate entities (ii)	**858,500**	-
Share of losses of associates recognised during the period	**(2,142,664)**	(5,000,534)
Share of reserves of associates recognised during the period	**82,035**	(582,092)
Interest in listed shares transferred to interest in associate	**-**	1,000,000
Interest in associate disposed of during the period	**-**	(27,017,205)
Impairment loss (d)	**(7,536)**	(1,563,184)
	11,842,196	9,085,972

(i) In July 2012, the Company converted the $2,000,000 and $1,500,000 convertible loans (plus $465,889 interest receivable) into 19,829,452 shares in Cauldron Energy Limited.

(ii) The Company exercised 1,060,000 Cauldron Energy Limited call options for $477,000 and 5,450,000 Global Strategic Metals NL call options $381,500.

8. INVESTMENTS IN ASSOCIATED ENTITIES (CONTINUED)

(c) Fair value of investments in listed associates

The fair value of listed associates has been determined by reference to published price quotations in an active market.

	31 December 2012	**30 June 2012**
	$	**$**
International Goldfields Limited	**4,138,249**	4,982,595
Fe Limited	**482,765**	712,652
Cauldron Energy Limited	**13,509,667**	2,922,084
Kupang Resources Limited	**1,400,944**	2,126,433
Global Strategic Metals NL	**2,342,856**	1,400,968

(d) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 31 December 2012. The market prices of some investments were below the carrying value of the investments held by the Company. Impairment losses of $7,536 (30 June 2012: $1,563,184) have been recognised.

9. INCOME TAXES

During the period ended 31 December 2012, the Company paid $16,281,195 to the Australian Taxation Office.

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an Arrangement for Payment of half the primary tax and shortfall interest charge assessed pending the outcome of the objection lodged by the Company.

As at 31 December 2012, the Company has paid $10,000,000 under the Arrangement which is reflected as prepaid tax in these accounts. On 28 February 2013, the Company paid the second instalment of $10,000,000 and the final instalment of $13,395,426 is due by 31 March 2013.

Refer to note 12 for a detailed discussion on the contingent liability for income tax including interest and penalties in relation to an amended tax assessment.

The remaining tax paid of $6,281,195 relates to income tax arising on the normal operation of the business.

10. ISSUED CAPITAL

	31 December 2012 $	30 June 2012 $
689,108,792 fully paid ordinary shares (30 June 2012: 688,108,792)	**197,050,776**	197,050,776

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.

Movement in ordinary shares on issue

	Ordinary fully paid shares	
31 December 2012	**Number**	**$**
Shares on issue at 1 July 2012	689,108,792	197,050,776
Shares on issue at 31 December 2012	689,108,792	197,050,776

	Ordinary fully paid shares	
30 June 2012	**Number**	**$**
Shares on issue at 1 July 2011	626,299,603	167,528,846
Shares issued as part consideration for the purchase of non controlling interests (a)	20,672,189	9,302,485
Shares issued in settlement of deferred consideration for the purchase of controlled entity (b)	35,937,000	17,429,445
Shares issued on exercise of unlisted options (c)	6,200,000	2,790,000
Shares on issue at 30 June 2012	**689,108,792**	**197,050,776**

(a) On 9 September 2011, the Company acquired the remaining 9.8% of Pinnacle Group Assets Limited (“Pinnacle”), making it a wholly owned subsidiary of the Company. The consideration paid for the remaining 9.8% comprised $5,000,000 in cash and the issue of 20,672,189 shares in the Company.

(b) On 1 December 2011, the Company satisfied the deferred component of the consideration for 42.8% stake in Pinnacle acquired in the prior year. The Company issued 35,937,000 shares in lieu of a cash payment of $16,335,000.

(c) During the year ended 30 June 2012, 6,200,000 shares were issued on exercise of 6,200,000 unlisted options.

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

The Company continues to assess its options for the divestment of Marampa including an outright trade sale and equity investment options from interested partied. Additionally, all of the documentation required to list Marampa on the Alternative Investment Market in London is sufficiently advanced, that should favourable conditions return to capital markets than an initial public offering could progress at short notice.

During the 2012 June quarter the Company entered into a conditional binding terms sheet to sell it's wholly owned subsidiary Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project. During the quarter ended 31 December 2012, the Company announced that pursuant to a variation agreement, settlement of the conditional agreement for the sale of Cape Lambert Leichhardt Pty Ltd has been agreed for on or before 15 March 2013.

The major classes of assets and liabilities of Cape Lambert Leichhardt and Marampa as at 31 December 2012 are as follows:

	Cape Lambert Leichhardt	Marampa	Total
	$	$	$
Assets			
Cash and cash equivalents	58,251	282,508	340,759
Trade and other receivables	439,176	40,440	479,616
Inventory	206,941	-	206,941
Property, plant and equipment	1,438,334	587,423	2,025,757
Restricted cash	20,000	-	20,000
Capitalised exploration and evaluation costs	18,980,453	93,247,102	112,227,555
Assets classified as held for sale			115,300,628
Liabilities			
Trade and other payables	155,824	453,810	609,634
Provisions	50,900	125,177	176,077
Rehabilitation provision	5,671,492	-	5,671,492
Deferred tax liability	3,972,416	3,777,267	7,749,683
Liabilities directly associated with assets classified as held for sale			14,206,886
Net assets classified as held for sale as at 31 Dec 2012			**101,093,742**

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities of Cape Lambert Leichhardt and Marampa as at 30 June 2012 are as follows:

	Cape Lambert Leichhardt	Marampa	Total
	$	$	$
Assets			
Cash and cash equivalents	238,475	648,567	887,042
Trade and other receivables	431,357	73,742	505,099
Inventory	119,846	-	119,846
Property, plant and equipment	1,458,888	349,889	1,808,777
Capitalised exploration and evaluation costs	15,927,666	91,271,588	107,199,254
Assets classified as held for sale			110,520,018
Liabilities			
Trade and other payables	313,166	1,085,112	1,398,278
Provisions	32,965	93,105	126,070
Rehabilitation provision	4,451,492	-	4,451,492
Deferred tax liability	3,428,183	3,064,218	6,492,401
Liabilities directly associated with assets classified as held for sale			12,468,241
Net assets classified as held for sale as at 30 June 2012			**98,051,777**

12. CONTINGENT ASSETS AND LIABILITIES

At 31 December 2012, the Cape Lambert Group has the following contingent liabilities and contingent assets:

	31 December 2012 $	30 June 2012 $
Contingent Assets		
Consideration receivable in relation to the sale of the Cape Lambert Project[1]	**80,000,000**	80,000,000
Consideration receivable in relation to the sale of the Sappes Gold Project[3]	**10,000,000**	10,000,000
Royalty in relation to the sale of African Iron Limited[4]	**-**	-
Contingent Liabilities		
Tax payable in relation to notice of amended tax assessment[2]	**(101,886,249)**	(95,787,254)
Commission payable in relation to the sale of the Cape Lambert Project[1]	**(7,600,000)**	(7,600,000)

[1] Contingent asset and liability in relation to the sale of Cape Lambert Project
During the year ended 30 June 2008, the Company entered into an agreement with Chinese conglomerate MCC Mining (Western Australia) Pty Ltd ("**MCC WA**"). MCC WA's rights and obligations under that agreement were subsequently assigned to MCC Australia Sanjin Mining Pty Ltd, ("**MCC Sanjin**") for, amongst other things, the sale of the tenements and assets related to and comprising the Cape Lambert Iron Ore Project ("**Project**").

The total cash consideration payable under the agreement was $390,000,000, which was to be paid in three tranches, namely:

a. $230,000,000 at settlement date (6 August 2008);
b. $80,000,000 within 45 days of the settlement date; and
c. $80,000,000 within 7 days of satisfaction of certain mining approval conditions in respect of the Project.

The first two payments have been received by the Company. The amount of $80,000,000 relating to the satisfaction of mining approvals has not been paid.

The agreement required the buyer of the Project (initially MCC WA, and after novation, MCC Sanjin) to act in good faith and to use all reasonable endeavours to do all things reasonably requested by the Company to assist it with obtaining the satisfaction of the mining approvals conditions within 2 years of the agreement, namely on or before 11 June 2010. The mining approval conditions were not satisfied by this date.

The obligations of MCC WA, and after novation, MCC Sanjin under the agreement, including its obligations to make payment of the amount of $80,000,000 were guaranteed by the Metallurgical Corporation of China ("**MCC China**"), a Chinese state owned parent company of MCC WA and MCC Sanjin.

The Company has demanded that MCC China make payment of the outstanding amount.

In September 2010, the Company commenced legal action to recover the payment owing to it, against all three MCC entities. Legal proceedings were commenced in the Supreme Court of Western Australia ("**Court**") after discussions between MCC and the Company to resolve the non-payment proved unsuccessful. On 4 May 2012, a mediation hearing between MCC and the Company was held in Singapore however no agreement between the parties was reached. In August 2012, the Court made orders, inter alia, for the dispute to be determined by an arbitrator and for the Company to propose (such proposal to be consented to by the MCC parties) that the dispute between the Company and MCC China be heard and determined by the arbitrator prior to the hearing of the disputes between the Company and MCC Sanjin.

12. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

As at 31 December 2012, the payment of $80,000,000 had not been received. Given the uncertainty surrounding the receipt of this payment, the Company has not recognised the payment owing as a receivable.

In the event that the payment is received, the Company will be liable to pay an additional commission fee of $7,600,000 to an unrelated party.

[2] Contingent liability for income tax including interest and penalties in relation to an amended tax assessment
The Company was subject to an audit from the Australian Taxation Office ("ATO") on its income tax return for the 2009 year. Following the conclusion of this audit, in May 2012 a notice of assessment was received for additional income taxes payable together with interest and associated penalties ("Amended Assessment"). The Amended Assessment totalled $95,787,254 which comprised $57,642,715 of additional income taxes payable with respect to the 2009 income tax year, $28,821,357 in penalties and $9,323,182 in interest charges.

The Amended Assessment relates to a number of issues which the Company disputes. The additional income taxes payable that have been assessed by the ATO primarily relate to the following key matters:

(a) the ATO have assessed that income tax should have been paid in 2009 on the fair value of the contingent receivable due from MCC (refer Note 20(1)) and have determined a fair value of $56,300,000 (tax effect of $16,890,000) for this purpose;
(b) the ATO have assessed that deductions claimed for exploration arising from the acquisition of the Lady Annie and Lady Loretta projects in the 2009 year of $137,526,510 (tax effect of $41,257,953) were not immediately deductible against 2009 taxable income. These deductions would then be realised in subsequent years when these projects were sold; and
(c) following the adjustments made in (a) and (b) above, the ATO have also assessed other adjustments that give rise to an increase in carried forward tax losses amounting to $1,684,128 (tax effect of ($505,238))

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an Arrangement for Payment ("Arrangement") of half the primary tax and shortfall interest charge assessed pending the outcome of the objection lodged by the Company. Under this Arrangement, a total of $33,395,426 will be paid by the Company in instalments by 31 March 2013. As at 31 December 2012, the Company has paid $10,000,000. On 28 February 2013, the Company paid the second instalment of $10,000,000 and the final instalment of $13,395,426 is due by 31 March 2013.

After this time, the rate of general interest charge accruing on the unpaid balance of disputed tax and shortfall interest charge will be reduced by half. Under the Arrangement, the ATO has confirmed that no further amounts will be required to be paid by the Company until the final determination of the dispute and no collection action will be taken by the ATO until this time.

As at 31 December 2012, the Company has paid $10,000,000 under the Arrangement which is reflected as prepaid tax in these accounts. The Company believes that it has a strong defence to the disputed matters. The Company believes that it has a strong defence to the disputed matters and will vigorously defend this position.

If the Company was unsuccessful in its dispute on the amended assessment, the Company would have a cash outflow of $95,787,254 to the ATO together with any costs incurred in defending its position plus additional interest that may accrue to the point of resolution. As at 31 December 2012 the Amended Assessment plus accrued interest to 31 December 2012 is $101,886,249. All interest, penalties and costs of defending its position contained in the amended assessment would be expensed to the profit and loss and the $137,526,510 of deductions claimed in the 2009 year would be carried forward as deductions against taxable income declared in years subsequent to the 2009 year and/or available as carried forward tax losses that could be recognised as an asset in the financial statements to the extent that it was probable that future taxable income would be available to utilise them.

12. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

[3] Contingent asset in relation to the sale of the Sappes Gold Project
In December 2011, the Company disposed of 100% of its interest in the Sappes Project to Glory Resources Limited, an Australian listed Company, for a consideration of $46.5 million. The purchase consideration includes two contingent payments of $5.0 million each, which are payable once certain operating permits and production related milestones are achieved. As at 31 December 2012, the Company has not recognised either amount as a receivable.

[4] 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. The Company retains a production royalty of $1.00 per tonne (indexed annually post production) of iron ore shipped from the Mayoko Iron Ore Project owned by African Iron Limited.

13. EVENTS SUBSEQUENT TO REPORTING DATE

- In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company will be subsequently cancelled. As at 7 March 2013, the Company paid $337,260 to buy back 1,375,000 shares.

- In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 31 December 2012, no amounts had been drawn down from this facility. Subsequent to balance date, $345,000 has been drawn down.

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 2012	**30 June 2012**
	$	**$**
Cash and cash equivalents		
Cash in banks and on hand	**9,239,948**	8,119,314
Deposits at call	**40,336,745**	80,292,595
Cash and cash equivalents per consolidated statement of cash flows	**49,576,694**	88,411,909
Less: cash and cash equivalents classified as held for sale	**(340,759)**	(887,042)
Cash and cash equivalents per consolidated statement of financial position	**49,235,935**	87,524,867

(b) Non-Cash Activities

Current year

No non-cash activities occurred during the period ended 31 December 2012.

Prior year

On 9 September 2011, the Company acquired the remaining 9.8% of Pinnacle Group Assets Limited ("Pinnacle"). The consideration paid for the remaining 9.8% included the issue of 20,672,189 shares in the Company valued at $9,302,485.

On 1 December 2011, the Company satisfied the deferred component of the consideration payable for the 42.8% stake in Pinnacle acquired in the prior year. On 1 December 2011, the Company issued 35,937,000 shares valued at $17,429,445 in lieu of a cash payment of $16,335,000.

On 17 December 2011, the Consolidated Entity completed the sale of the Sappes Gold Project ("Sappes") to ASX listed Glory Resources Limited (ASX: GLY) ("Glory"). Pursuant to the terms of the sale agreement, the Company received 16,000,000 shares in Glory valued at $3,440,000 in addition to cash received.

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2012

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 2012 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 2012 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) There are reasonable grounds to believe that the Consolidated Entity 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.

Antony Sage
Director

Dated this 7th day of March 2013

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To the members of Cape Lambert Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cape Lambert Resources Limited, which comprises the statement of financial position as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 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.

Conclusion

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

i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

Emphasis of matter

We draw your attention to Note 12 to the financial statements which describes the uncertainty related to the outcome of the notice of amended tax assessment issued to the company by the Australian Taxation Office. Our conclusion is not modified in respect of this matter.

Ernst & Young

G H Meyerowitz
Partner
Perth
7 March 2013

GHM:MJ:CapeLambert:2013:003