# Annual Financial Report
# for the year ended 30 June 2009

Please find attached the Company's Annual Financial Report for the year ended 30 June 2009.

Yours faithfully
Cape Lambert Iron Ore Limited

**Eloise von Puttkammer**
Company Secretary

Cape Lambert is an Australian domiciled, mineral investment company. Its current investment portfolio is geographically diverse and consists of mineral assets and interests in mining and exploration companies.

The Company continues to focus on investment in early stage resource projects and companies, primarily in iron ore, copper and gold. Its "hands on" approach is geared to add value and position assets for development and/or sale.

The Board and management exhibit a strong track record of delivering shareholder value.

## Australian Securities Exchange
**Code: CFE**

Ordinary shares
536,619,804

Unlisted options (30 June 2010)
8,350,000

Unlisted options (31 Oct 2010)
28,000,000

## Board of Directors

| | |
|---|---|
| Tony Sage | Executive Chairman |
| Tim Turner | Non-executive Director |
| Brian Maher | Non-executive Director |

Eloise von Puttkammer
Company Secretary

## Key Projects and Interests
Lady Annie Copper Project
Sappes Gold Project
DMC Mining Limited
Corvette Resources Limited

## Cape Lambert Contact
Tony Sage
Executive Chairman
Phone: +61 (0)8 9380 9555

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## Australian Enquiries
Professional Public Relations
David Tasker
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# CAPE LAMBERT IRON ORE LIMITED

**(ABN 71 095 047 920)**

and Controlled Entities

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Annual Financial Report
for the Year Ended
30 June 2009

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**Directors**

Mr Tony Sage - Executive Chairman
Mr Brian Maher - Non-Executive Director
Mr Tim Turner - Non-Executive Director

**Share Registry**
Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
AUSTRALIA
Tel: 1300 85 05 05 (Aus)
+61 3 9415 4000 (Overseas)

**Company Secretary**
Ms Eloise von Puttkammer

**Former Names**
Hamill Resources Limited
International Goldfields Limited

**Stock Exchange Listing**
Australian Stock Exchange
ASX code: CFE

**Registered Office and Country of Incorporation**
18 Oxford Close
Leederville, Western Australia 6007
Australia
Tel: +61 8 9380 9555

**Solicitors**
Steinepreis Paganin
Level 4, Next Building
16 Milligan Street
Perth, WA 6000

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

**Australian Public Relations**
Professional Public Relations
Level 1
588 Hay St
Subiaco, WA 6008
Tel: +61 8 9388 0944

**UK Public Relations**
Conduit PR Ltd
3rd Floor
76 Cannon Street
London EC4N 6AE
United Kingdom
Tel: +44 20 7429 6666

**Auditors**
PricewaterhouseCoopers
QV1 Building
Levels 19-21, 250 St George's Terrace
Perth, WA 6000

## Directors' Report

The directors of Cape Lambert Iron Ore Limited (the "Company") submit herewith the annual financial report on the Consolidated Entity, consisting of the Company and the entities it controlled for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

**Directors**

| **Name** | **Particulars** |
|---|---|
| Ian Burston | Executive Chairman (Resigned 15 August 2008) |
| Antony Sage | Executive Chairman (Appointed 15 August 2008) |
| Brian Maher | Non-Executive Director |
| Timothy Turner | Non-Executive Director |
| Peter Landau | Non-Executive Director (Resigned 17 June 2009) |

**Ian Burston** — **Executive Chairman (Resigned 15 August 2008)**

Qualifications: AM, CitWA, B.E(Mech), DipAeroEng (RMIT), HonDSc, FIEAust, CPEng, FAusIMM, FAICD

Experience: Dr Burston has exceptional skills in resource management and has more than 30 years of top-level experience in extractive and related industries. Dr Burston holds a Bachelor of Engineering (Mech) degree from Melbourne University and a Diploma in Aeronautical Engineering from Royal Melbourne Institute of Technology. He has completed the Insead Management Program in Paris and the Harvard Advanced Management Program in Boston.
Dr Burston resigned on 15 August 2008.

**Antony William Paul Sage** — **Executive Chairman (Appointed 15 August 2008, prior to that, he was an Executive Director)**

Qualifications: B.Com, FCPA, CA, FTIA

Experience: Mr Sage has in excess of 22 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 14 years. Mr Sage was a founding Director of International Goldfields Limited and its merger partner Hamill Resources Limited (the merged entity now being Cape Lambert Iron Ore Limited). Mr Sage is also a Director of the following ASX listed entities: International Goldfields Limited, Global Iron Limited, Corvette Resources Limited, Cauldron Energy Limited, Tianshan Goldfields Limited and Buka Gold Limited.

**Brian Maher** — **Non-Executive Director**

Qualifications: B.E(Min.), FAusIMM, FIMM

Experience: Mr Maher has over 40 years experience in the mining industry, covering both underground and open cut operations, as a miner, supervisor, mining engineer, mine manager consultant, contractor and managing director. He has worked throughout the world, including Australia, Liberia, Guyana and the Philippines. He has spent over 12 years in the iron ore industry.

Mr Maher has a Bachelor of Mining Engineering from the University of Melbourne, and is a fellow of both the Australian Institute of Mining and Metallurgy and The Institution of Mining and Metallurgy. Mr Maher has held senior management positions with leading mining and engineering companies throughout the world including Hamersley Iron, Broken Hill South, Griffin Coal, Thyssen Mining Construction, Lameco Iron Ore, Kinhill Engineers, Linden Mining, Minproc Engineers and Nissho Iwai Mineral Sands.

**Peter Landau** — **Non-Executive Director (Resigned 17 June 2009)**

Qualifications: LLB, BCom

Experience: Mr Landau is a corporate lawyer and advisor who has previously worked with Grange Consulting Group, Clayton Utz and general counsel at Co-operative Bulk Holdings. Mr Landau is responsible for providing general corporate, capital raising, transaction and

strategic advice to numerous ASX listed and unlisted companies.
Mr Landau resigned on 17 June 2009.

**Timothy Paul Turner** — **Non-Executive Director and Company Secretary**

Qualifications — B.Bus, FCPA, FTIA, Registered Company Auditor

Experience — Mr Timothy Paul Turner joined Cape Lambert Iron Ore Ltd in the dual position of Director and Company Secretary. He resigned as Company Secretary during the year. As senior partner with Accounting firm, Hewitt Turner & Gelevitis, Mr Turner specialises in domestic business structuring, corporate and trust tax planning and corporate secretarial. He also has in excess of 20 years experience in new ventures, capital raisings and general business consultancy.

Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, a Fellow of CPA Australia, a Fellow of the Taxation Institute of Australia. Mr Turner is also a Director of the following ASX listed entities: International Goldfields Limited, Global Iron Ore Limited and Legacy Iron Ore Limited.

**Directorships of Other Listed Companies**

Directorships of other listed companies held by Directors in the 3 years immediately before the end of the financial year are as follows:

| **Name** | **Company** | **Period of directorship** |
|---|---|---|
| Ian Burston (Resigned 15 August 2008) | Aztec Resources Ltd | 2003 to 2007 |
| | Imdex Limited | 2000 to present |
| | Mincor Resources NL | 2003 to present |
| | NRW Ltd | 2006 to present |
| | Broome Port Authority | 2003 to present |
| Antony Sage | International Goldfields Limited | January 2006 to present |
| | Global Iron Limited | October 2007 to present |
| | Tianshan Goldfields Limited | February 2009 to present |
| | Corvette Resources Limited | February 2009 to present |
| | Cauldron Energy Limited | June 2009 to present |
| | Buka Gold Limited | August 2009 to present |
| Brian Maher | - | - |
| Peter Landau (Resigned 17 June 2009) | View Resources Limited | May 2004 to September 2007 |
| | Konekt Limited | December 2002 to July 2006 |
| | Continental Capital Group Limited | December 2002 to present |
| | Nuenco NL | September 2004 to October 2006 |
| | Blaze International Limited | May 2004 to April 2007 |
| | NKWE Platinum Limited | September 2006 to present |
| | Range Resources Limited | November 2005 to present |
| | BioProspect Limited | May 2007 to present |
| | Poseidon Nickel Limited (formerly Niagara Limited) | June 2005 to April 2007 |
| Timothy Turner | International Goldfields Limited | January 2006 to present |
| | Global Iron Ore Limited | November 2007 to present |
| | Legacy Iron Ore Limited | July 2008 to present |

**Principal Activities**

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

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

**Review of Operations**

Cape Lambert Iron Ore Limited is an Australian domiciled, ASX (CFE) listed company that is focused on creating wealth for shareholders by acquiring and adding value to early stage mineral assets for development or sale.

The financial year ended 30 June 2009 was a watershed for Cape Lambert with a number of transactions completed, leaving the Company with significant cash reserves and a multi commodity and geographically diverse portfolio of mineral assets and investments.

Early in the financial year, the Company completed the sale of its Cape Lambert magnetite iron ore project located in the Pilbara near Karratha for $400 million, receiving $320 million in cash with the final payment of $80 million deferred until the second half of 2010, contingent upon the receipt of various mining approvals. The Board of Directors immediately returned $100 million to shareholders via a reduction of capital and dividend.

The Company utilised its strong cash position to offer convertible notes to junior explorers and to acquire distressed and undervalued early stage mineral assets. The convertible notes enable Cape Lambert to convert the loans offered into significant equity stakes whilst earning a 12% per annum coupon rate.

During the year, the Company completed the following transactions subsequent to the sale of the Cape Lambert magnetite iron ore project:

- Acquired a 35% interest in the Marampa iron ore project located in Sierra Leone, West Africa for an initial scrip consideration, and providing management and funding toward the completion of a feasibility study;
- Acquired the assets of the former CopperCo group, which includes the Lady Annie oxide copper mine in Queensland, Sappes gold project in Greece and a 25% interest in the high-grade, lead-zinc-silver Lady Loretta project also located in Queensland, and
- Issued approximately AUD$38.8 million in convertible notes.

The Board intends to continue to follow its strategy of acquiring and investing in undervalued mineral assets and adding value through a hands on approach to management, exploration and evaluation. This approach will enable Cape Lambert to receive a significant return on the divestment of these assets. The Board intends to distribute any surplus cash generated from successful divestments to the Company's shareholders.

**Results for the Year**

The Consolidated Entity made an after tax profit for the year of $229,009,330 (2008: profit of $2,179,472), primarily due to recognising:

- a discount on acquisition of $55,385,237 on a business combination involving the Lady Annie assets and a 100% interest in Mineral Securities Limited; and
- a profit on the sale of the Cape Lambert magnetite iron ore project of $232,667,721 .

## Events Subsequent to Balance Sheet Date

Subsequent to 30 June 2009, the Consolidated Entity entered into the following transactions:

- The $2 million convertible note issued by DMC Mining Limited during the 2009 financial year was converted into equity (20 million shares) on 3 July 2009. At the same time, 5,000,000 $0.15 options in DMC Mining Limited were exercised. This has resulted in Cape Lambert having an approximate 36% interest in DMC Mining Limited.
- The $2.3 million convertible note issued by Cauldron Energy Limited during the 2009 financial year was converted into equity (15.3 million shares) on 15 July 2009. 6,108,612 shares were issued on conversion. The remaining 9,224,721 shares are expected to be issued in October 2009. This will result in Cape Lambert having an approximate 19% interest in Cauldron Energy Limited.
- On 20 July 2009, the Consolidated Entity subscribed to a $1.5 million convertible note issued by Cauldron Energy Limited. The note bears interest at the rate of 10% per annum and contains a conversion option whereby the outstanding loan balance can be converted into equity at a conversion price which is the lower of $0.50 or the weighted average trading price of the company's ordinary securities as quoted on ASX over the last 20 days prior to conversion, less a discount of 15%, but not lower than $0.425. The repayment date is 31 July 2012 or such other date as is agreed to by both parties.
- In July 2009, the Consolidated Entity launched a take-over bid for Corvette Resources Limited. The bid closed on 11 September 2009 and has resulted in the Consolidated Entity having an interest of approximately 46% in Corvette Resources Limited. 12,822,591 Cape Lambert shares have been issued to satisfy the acceptances received. The Receiver and Manager of Copper Limited (In Liquidation) (Receivers and Managers appointed) accepted the take-over offer, thereby settling the amount owing to the Consolidated Entity as disclosed in note 7 of the financial statements.
- On 22 August 2009 the $28 million convertible note issued by Pinnacle Group Assets Limited was converted into equity.
- On 26 August 2009, Cape Lambert released an ASX announcement noting its appointment of Patersons Securities Limited as lead manager to facilitate the Initial Public Offering (IPO) of the Lady Annie copper asset in Queensland. The announcement specified that at minimum 5% interest in the "spun out" vehicle would be retained by Cape Lambert or its shareholders and confirmed the trade sale process was being continued with while the IPO opportunity was pursued further.
- On 26 August 2009, the consolidated entity subscribed to $2.4 million convertible note issued by Africa Uranium Limited. The note bears interest at the rate of 12% per annum and is repayable on 26 August 2011 or such later date as is agreed to by both parties. On conversion, the total number or ordinary securities to be issued for the full amount of the note and associated capitalised interest must equal 10% of the company's issued share capital at the date of conversion. In the event that the Consolidated Entity elects to convert less than the full amount of the note and associated capitalised interest, the number of ordinary shares to be issued shall be reduced on a pro-rata basis.
- On 27 August 2009, Cape Lambert released an ASX announcement noting it had entered into an agreement to acquire Mojo Minerals Limited in a scrip deal valued at $1.75 million.
- On 11 September 2009, the Consolidated Entity subscribed to a $2 million convertible note issued by Victory West Molly Limited. The note bears interest at the rate of 12% per annum and contains a conversion option whereby the outstanding loan balance can be converted into equity at a conversion price which is the higher of $0.30 or the weighted average trading price of the company's ordinary securities as quoted on ASX over the last 5 days prior to conversion. The repayment date is 11 September 2011 or such other date as is agreed to by both parties.

Other than the above, no event has arisen since 30 June 2009 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

## Changes in State of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Entity other than that referred to in the Review of Operations.

## Likely Developments and Expected Results of Operations

The Board intends to continue to follow its strategy of acquiring and investing in undervalued mineral assets and adding value through a hands on approach to management, exploration and evaluation.

## Dividends and Return of Capital

During the year the Company paid an unfranked dividend of 14.9 cents per share and a 6.8 cent per ordinary share return of capital.

## Environmental Regulations

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work.

## Share Options

### Share Options Granted to Directors and Executives

During and since the end of the financial year, an aggregate of 6,350,000 share options (2008: nil) were granted to the following directors and executives of the Company:

| Directors and Executives | Issuing entity | Number of Options Granted | Number of Options Outstanding |
|---|---|---|---|
| GV Ariti | CFE | 3,000,000 | 3,000,000 |
| K Bischoff | CFE | 1,500,000 | 1,500,000 |
| J Hamilton | CFE | 1,500,000 | 1,500,000 |
| E von Puttkammer | CFE | 350,000 | 350,000 |
| | | 6,350,000 | 6,350,000 |

### Share Options on Issue at Year End

Details of unissued shares or interests under option are:

| Issuing Entity | Number of Shares Under Option | Class of Shares | Exercise Price of Option | Expiry Date of Options |
|---|---|---|---|---|
| CFE | 8,350,000 | ORD | $0.432 | 30 June 2010 |
| CFE | 28,000,000 | ORD | $0.309 | 31 October 2010 |

The holders of such options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

Details of shares or interests issued during the financial year as a result of the exercise of options are:

| Issuing Entity | Number of Shares Issued | Class of Shares | Amount Paid for Shares | Amount Unpaid on Shares |
|---|---|---|---|---|
| CFE | 140,244,178 | ORD | 41,374,131 | - |

**Indemnification of Officers**

In accordance with the Company's constitution, except as may be prohibited by the Corporations Act 2001, every Officer or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

During the financial year, the Company has paid insurance premiums in respect of directors' and officers' liability. The insurance premiums relate to:

- Costs and expenses incurred by the relevant officers in defending legal proceedings, whether civil or criminal and whatever their outcome; and
- Other liabilities that may arise from their position, with the exception of conduct involving wilful breach of duty or improper use of information to gain a personal advantage.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under S300(9) of the Corporations Act 2001.

**Company Secretary**

Mr Timothy Turner resigned as company secretary and Ms Eloise von Puttkammer was appointed as company secretary on 1 April 2009. Ms von Puttkammer has many years of experience in the finance and investment industry. Over the past 10 years she has held administration, compliance and company secretarial roles within both private and public companies. Ms von Puttkammer has experience in the provision of governance and secretarial advice to ASX and AIM public listed companies.

**Directors' Meetings**

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 20 board meetings were held.

| | **Board of Directors** | |
|---|---|---|
| **Directors** | **Eligible to Attend** | **Attended** |
| Ian Burston (Resigned 15 August 2008) | 5 | 4 |
| Antony Sage | 20 | 19 |
| Peter Landau (Resigned 17 June 2009) | 20 | 3 |
| Brian Maher | 20 | 17 |
| Timothy Turner | 20 | 20 |

**Directors' Shareholdings**

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

| **Directors** | **Ordinary Shares** |
|---|---|
| Antony Sage | 26,939,761 |
| Brian Maher | 1,015,000 |
| Timothy Turner | 1,000,000 |
| | 28,954,761 |

**Remuneration Report**

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

**Remuneration Policy for Directors and Executives**

This report details the nature and amount of remuneration for each director and executive of the Company.

**Details of Directors and Executives**

*Directors*
Ian Burston – Executive Chairman (Resigned 15 August 2008)
Antony Sage – Executive Chairman (Appointed 15 August 2008, prior to that, Executive Director)
Peter Landau – Non-Executive Director (Resigned 17 June 2009)
Timothy Turner – Non-Executive Director
Brian Maher – Non-Executive Director

**Principles used to Determine the Nature and Amount of Remuneration**

The remuneration policy of the Company has been designed to align director objectives with shareholder and business objectives by providing a fixed remuneration component which is assessed on an annual basis in line with market rates. The Board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members is as follows:
The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the Executive Chairman and approved by the Board after seeking professional advice from independent external consultants.

All executives receive a base salary (which is based on factors such as length of service and experience) and fringe benefits.

The Consolidated Entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. The Board endorses the use of incentive and bonus payments for directors and senior executives. Certain Board members were issued shares as part of the terms of the Initial Public Offer and also upon appointment to the Board as part of their salary packages. Board members have largely retained these securities which assist in aligning their objectives with overall shareholder value.

Options and performance incentives may also be issued as the Consolidated Entity moves from exploration to producing entity, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance. At present, there are no performance based options or incentives on issue.

All remuneration paid to directors is valued at the cost to the Company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes option pricing model.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Chairman, in consultation with independent advisors, determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

### Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration

The remuneration policy aims to increase goal congruence between shareholders and directors via the issue of options to the majority of directors to encourage the alignment of personal and shareholder interests. During the financial period, the Company's share price traded between a low of $0.16 and a high of $0.92. The price volatility is a concern to the Board but is not considered abnormal for a junior explorer such as Cape Lambert Iron Ore Limited. In order to keep all investors fully informed and minimise market fluctuations, the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company and to stabilise the Company's share price in line with a consistent and stable financial position and base value of assets.

### Director and Executive Details

The directors and executives of Cape Lambert Iron Ore Limited during the year were:

- Ian Burston (Resigned 15 August 2008)
- Antony Sage
- Brian Maher
- Timothy Turner
- Peter Landau (Resigned 17 June 2009)

### Details of Remuneration

Remuneration packages contain the key elements incorporated in the Company's Remuneration Policy as detailed above.

The following table discloses the remuneration of the directors and key management personnel of the Company:

| 2009 | Cash Salary & Fees | Primary Cash Bonus | Non Monetary Benefits | Share Based Payment Equity Options | Total | % of Total Remuneration Fixed | At Risk Short Term Incentive | At Risk Long Term Incentive |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | % | % | % |
| **Directors** | | | | | | | | |
| I Burston | 22,950 | - | - | - | 22,950 | 100% | 0% | 0% |
| A Sage | 437,500 | 600,000 | - | - | 1,037,500 | 100% | 0% | 0% |
| B Maher | 39,450 | 200,000 | - | - | 239,450 | 100% | 0% | 0% |
| T Turner | 60,000 | 400,000 | - | - | 460,000 | 100% | 0% | 0% |
| P Landau | 60,000 | 400,000 | - | - | 460,000 | 100% | 0% | 0% |
| **Other Key Management Personnel** | | | | | | | | |
| J Hamilton | 181,300 | - | - | 378,600 | 559,900 | 32% | 68% | 0% |
| K Bischoff | 154,500 | - | - | 378,600 | 533,100 | 29% | 71% | 0% |
| GV Ariti | 279,300 | - | - | 757,200 | 1,036,500 | 27% | 73% | 0% |
| F Taylor | 7,278 | - | - | - | 7,278 | 100% | 0% | 0% |
| E von Puttkammer | 13,154 | - | - | - | 13,154 | 100% | 0% | 0% |
| | 1,255,432 | 1,600,000 | - | 1,514,400 | 4,369,832 | 65% | 35% | 0% |

Notes:
1. For directors and executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.
2. I Burston resigned on 15 August 2008
3. P Landau resigned on 17 June 2009
4. F Taylor was appointed as Chief Financial Officer on 20 April 2009
5. E von Puttkammer was appointed as company secretary on 1 April 2009

**Details of Remuneration *(continued)***

| 2008 | Cash Salary & Fees | Primary Cash Bonus | Non Monetary Benefits | Share Based Payment Equity Options | Total | % of Total Remuneration Fixed | At Risk Short Term Incentive | At Risk Long Term Incentive |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | % | % | % |
| **Directors** | | | | | | | | |
| I Burston | 189,000 | - | - | - | 189,000 | 100% | 0% | 0% |
| A Sage | 350,000 | - | - | - | 350,000 | 100% | 0% | 0% |
| B Maher | 24,600 | - | - | - | 24,600 | 100% | 0% | 0% |
| T Turner | 48,000 | - | - | - | 48,000 | 100% | 0% | 0% |
| P Landau | 48,000 | - | - | - | 48,000 | 100% | 0% | 0% |
| **Other Key Management Personnel** | | | | | | | | |
| J Hamilton | 244,650 | - | - | 177,000 | 421,650 | 58% | 0% | 42% |
| K Bischoff | 60,600 | - | - | - | 60,600 | 100% | 0% | 0% |
| GV Ariti | 290,390 | - | - | 354,000 | 644,390 | 45% | 0% | 55% |
| | 1,255,240 | - | - | 531,000 | 1,786,240 | 70% | 0% | 30% |

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance. By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration, the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

| | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|
| Closing Share Price 30 June | $0.145 | $0.350 | $0.690 | $0.660 | $0.32 |
| Profit/(loss) for the year | ($4,222,043) | ($15,030,508) | ($3,945,284) | $2,179,472 | $229,009,330 |
| Basic EPS | ($0.0303) | ($0.0757) | ($0.0158) | $0.0077 | $0.47 |

**Value of Options Issued to Directors, Executives and Key Management Personnel**

The Employee Incentive Scheme, approved by the shareholders in December 2000, entitles each option holder to one share exercisable any time up to or on the expiry date at the stated exercise price; does not confer the right to a change in exercise price; subject to the Corporations Act 2001, the ASX Listing Rules and the Company's Constitution are freely transferable; the shares, upon exercise of the options, will rank pari passu with the Company's then issued shares; will be applied for quotation; the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company if the Options are exercised before the record date of an entitlement; in the event of any reconstruction of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction. There are no performance conditions attached to the options and they were issued for Nil consideration.

**Value of Options Issued to Directors, Executives and Key Management Personnel *(continued)***

The following table discloses the value of options granted, exercised or lapsed during the year:

| | Options Granted Value at Grant Date | Options Exercised Value at Exercise Date | Options Lapsed Value at Time of Lapse | Total Value of Options Granted, Exercised or Lapsed | Percentage of Total Remuneration for the Year that Consists of Options |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | % |
| **Directors** | | | | | |
| I Burston | - | - | - | - | - |
| A Sage | - | - | - | - | - |
| B Maher | - | - | - | - | - |
| T Turner | - | - | - | - | - |
| P Landau | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | |
| J Hamilton | 378,600 | - | - | 378,600 | 68% |
| K Bischoff | 378,600 | - | - | 378,600 | 71% |
| GV Ariti | 757,200 | - | - | 757,200 | 73% |
| F Taylor | - | - | - | - | 0% |
| E von Puttkammer | 88,340 | - | - | 88,340 | 87% |
| Total | 1,602,740 | - | - | 1,602,740 | |

Notes:
1. I Burston resigned on 15 August 2008
2. P Landau resigned on 17 June 2009
3. F Taylor was appointed as Chief Financial Officer on 20 April 2009
4. E von Puttkammer was appointed as company secretary on 1 April 2009

**Service Agreements**

Executive Directors
The employment conditions of Ian Burston were approved by the Board on 3 July 2006 with a fee of $1,350 per day of services provided plus GST, capped at a maximum amount of $350,000 (2008: $350,000) per annum plus GST. Ian Burston resigned from his position of Executive Chairman on 15 August 2008.

The employment conditions of the Executive Chairman, Antony Sage were approved by the Board on 1 July 2008 with a fee of $437,500 (2008: $350,000) per annum plus GST.

Under the terms of Mr Sage's contract, employment may be terminated by the Company or Mr Sage by giving the other party 4 weeks notice in writing. Alternatively, the employment may be terminated by the Company providing compensation instead of the period of notice required. Termination payments due are four weeks in lieu of notice if the termination period is not worked out. Termination payments are not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the Company can terminate employment at any time. The employment contracts are for a period of three (3) years from the date of entering the agreement.

Non-Executive Directors
The engagement conditions of non-executive director Brian Maher were approved by the Board on commencement of engagement. A subsequent review was undertaken and a fee of $750 per day plus GST was approved by the Board on 27 June 2008 (2008: $600).

The engagement conditions of non-executive director Timothy Turner were approved by the Board on 30 November 2007. A subsequent review was undertaken and a fee of $60,000 per annum plus GST was approved by the Board on 27 June 2008 (2008: $48,000).

The engagement conditions of non-executive director Peter Landau were approved by the Board on commencement of engagement. A subsequent review was undertaken and a fee of $60,000 per annum plus GST was approved by the Board on 27 June 2008 (2008: $48,000).

**Service Agreements *(continued)***

Other Key Management Personnel
The employment conditions of contractor Jeff Hamilton were approved by the Board on commencement of employment in April 2006. A subsequent review was undertaken and a fee of $1,200 per day plus GST was approved (2008: $1,100).

The employment conditions of contractor Kim Bischhoff were approved by the Board on commencement of employment in February 2008 with a fee of $1,200 per day plus GST (2008: $1,200).

The employment conditions of contractor Joe Ariti were approved by the Board on commencement of employment in August 2006 with a fee of $1,500 (2008: $1,500) per day plus GST.

The employment conditions of contractor Fiona Taylor were set out in a service agreement upon appointment in April 2009 with a fee of $43,333 per annum plus GST.

The employment conditions of contractor Eloise von Puttkammer were set out in a service agreement upon appointment in April 2009 with a fee of $52,620 per annum plus GST.

**Proceedings on Behalf of the Company**

No person has applied for leave of Court to bring proceedings on behalf of the Consolidated Entity or intervene in any proceedings to which the Consolidated Entity is a party for the purpose of taking responsibility on behalf of the Consolidated Entity for all or any part of those proceedings.

The Consolidated Entity was not a party to any such proceedings during the year.

**Non Audit Services**

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- The nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

During the year ended 30 June 2009 no amounts were paid or payable (2008: Nil) to the auditor or its related practices for any non audit services.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 14 of the financial report.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Antony Sage
Director
Perth, 30 September 2009

PRICEWATERHOUSECOOPERS

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## Auditor's Independence Declaration

As lead auditor for the audit of Cape Lambert Iron Ore Limited for the year ended 30 June 2009, I declare that 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 audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Henry

Nick Henry
Partner
PricewaterhouseCoopers

Perth
30 September 2009

## Corporate Governance Statement

The Board of Directors of Cape Lambert Iron Ore Limited (**Cape Lambert**) is responsible for establishing the corporate governance framework of the Company having regard to the ASX Corporate Governance Council's (**CGC**) Corporate Governance Principles and Recommendations (**Recommendations**) and CGC published guidelines.

In accordance with ASX Listing Rule 4.10.3, this corporate governance statement discloses the extent to which the Company has followed the Recommendations by detailing the Recommendations that have not been adopted by the Company and the reasons why they have not been adopted. The Company is pleased to advise that the Company's practices are largely consistent with CGC guidelines, however, in areas where they do not correlate, the Company is working toward compliance or do not consider that the practices are appropriate for the current size and scale of operations.

Cape Lambert corporate governance practices were in place throughout the year ended 30 June 2009. The current corporate governance policies are posted in a dedicated corporate governance information section of the Company's website at www.capelam.com.au.

| | **Recommendation** | **Comply Yes / No** | **Reference / Explanation** |
|---|---|---|---|
| **Principal 1 – Lay solid foundations for management and oversight** | | | |
| 1.1 | Formalise and disclose the functions reserved to the Board and those delegated to management. | Yes | Page 17 |
| 1.2 | Disclose the process for evaluating the performance of senior executives. | Yes | Page 18 |
| 1.3 | Provide the information indicated in the guide to reporting on Principle 1. | Yes | |
| **Principal 2 – Structure the Board to add value** | | | |
| 2.1 | A majority of the Board should be independent directors. | Yes | Page 17 |
| 2.2 | The chairperson should be an independent director. | No | Page 18 |
| 2.3 | The roles of chairperson and chief executive officer should not be exercised by the same individual. | No | Page 18 |
| 2.4 | The Board should establish a nomination committee. | No | Page 20 |
| 2.5 | Disclose the process for evaluating the performance of the Board, its committees and individual directors. | Yes | Page 18 |
| 2.6 | Provide the information indicated in the guide to reporting on Principle 2. | Yes | |
| **Principal 3 – Promote ethical and responsible decision-making** | | | |
| 3.1 | Companies should establish a code of conduct and disclose the code or a summary of the code as to:<br>3.1.1 The practices necessary to maintain confidence in the Company's integrity.<br>3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.<br>3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. | Yes | Website |
| 3.2 | Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees. | Yes | Page 18 |
| 3.3 | Provide the information indicated in the guide to reporting on Principle 3. | Yes | |
| **Principal 4 – Safeguard integrity in financial reporting** | | | |
| 4.1 | The Board should establish an audit committee. | No | Page 19 |
| 4.2 | The audit committee should be structured so that it:<br>• consists only of non-executive directors;<br>• consists of a majority of independent directors;<br>• is chaired by an independent chairperson, who is not chairperson of the Board; and | No | Page 19 |

- has at least three members.

| | | | |
|---|---|---|---|
| 4.3 | The audit committee should have a formal charter. | Yes | Website |
| 4.4 | Provide the information indicated in the guide to reporting on Principle 4. | Yes | |
| **Principal 5 – Make timely and balanced disclosure** | | | |
| 5.1 | Companies should established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. | Yes | Website |
| 5.2 | Provide the information indicated in the guide to reporting on Principle 5. | Yes | |
| **Principal 6 – Respect the rights of shareholders** | | | |
| 6.1 | Companies should design a communication policy for promoting effective communication with shareholders and encourage their participation at general meetings and disclose their policy or a summary of that policy. | Yes | Website |
| 6.2 | Provide the information indicated in the guide to reporting on Principle 6. | Yes | |
| **Principal 7 – Recognise and manage risk** | | | |
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | Yes | Website |
| 7.2 | The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks. | Yes | Page 19 |
| 7.3 | The Board should disclose whether it has received assurances from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. | Yes | Page 19 |
| 7.4 | Provide the information indicated in the guide to reporting on Principle 7. | Yes | |
| **Principal 8 – Remunerate fairly and responsibly** | | | |
| 8.1 | The Board should establish a remuneration committee. | Yes | Page 19 |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | Yes | Page 10 |
| 8.3 | Provide the information indicated in the guide to reporting on Principle 8. | Yes | |

**The Board of Directors**

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

To assist the Board in carrying out its functions, it has developed a Code of Conduct to guide the Directors, the Chief Executive Officer, the Chief Financial Officer and other key executives in the performance of their roles.

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. Full details of the Board's role and responsibilities are contained in the Board Charter, a copy of which is available on the Company's website.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board.
- Strategy Formulation: to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
- Overseeing Planning Activities: the development of the Company's strategic plan.
- Shareholder Liaison: ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
- Monitoring, Compliance and Risk Management: the development of the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
- Company Finances: approving expenses and approving and monitoring acquisitions, divestitures and financial and other reporting.
- Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
- Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
- Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

**Structure of the Board**

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report on page 2. Directors are appointed based on the specific skills required by the Company and on other attributes such as their decision-making and judgment skills.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Timothy Turner, Mr Peter Landau (resigned 17 June 2009) and Mr Brian Maher are Non-Executive Directors, and are independent directors as they meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another

group member, or been a Director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or other group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

Mr Antony Sage was the Executive Director and is now the Executive Chairman of the Company and does not meet the Company's criteria for independence. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board. Dr Ian Burston (resigned 15 August 2008) was the Executive Chairman of the Company and did not meet the Company's criteria for independence. However, his experience and knowledge of the Company made his contribution to the Board such that it was appropriate for him to remain on the Board.

The role of Chief Executive Office of the Company is currently discharged by the Executive Chairman, Mr Antony Sage. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr Antony Sage, remains the most appropriate person to fulfil these roles.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director in office at the date of this report is as follows:

| | | |
|---|---|---|
| Mr Antony Sage | 8 years & 9 months | (Executive Chairman) |
| Mr Timothy Turner | 5 years | (Non-Executive Director) |
| Mr Brian Maher | 3 years & 9 months | (Non-Executive Director) |

**Performance Review/Evaluation**

It is the policy of the Board to conduct evaluation of its performance. The objective of this evaluation is to provide best practice corporate governance to the Company.

The performance of the Chief Executive Officer (Executive Chairman) is monitored by the non-executive Directors. A formal performance review of the Executive Chairman did not occur during the year.

The performance of senior management is monitored by the Executive Chairman.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive Directors, the Chief Executive Officer, and senior management. Details of these practices are available on the Company's website. No formal performance evaluation of the Board, individual directors of senior management took place during the year.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Specifically, Directors are provided with the resources and training to address skill gaps where they are identified.

**Securities Trading Policy**

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

As a matter of course trading in securities of the Company are restricted in the following periods:
- within the period of one month prior to the release of annual or half yearly results;

- within the period of one month prior to the issue of a prospectus; and
- there is in existence price sensitive information that has not been disclosed because of an ASX Listing Rule exception.

Before commencing to trade, a Director, executive or other employee must notify the Chairman or Company Secretary of their intention to do so.

As is required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by a Director in the securities of the Company.

**Attestations by CEO and CFO**

It is the Board's policy, that the CEO and the CFO make the attestations recommended by the CGC as to the Company's financial condition prior to the Board signing the Annual Report. However, as at the date of this report the Company did not have a designated CEO. The role of the CEO is discharged by the Executive Chairman. A CFO was engaged on 20 April 2009. The certification required in accordance with section 295A of the Corporations Act is provided by the relevant director and CFO prior to acceptance by the Board as a whole.

**Audit Committee**

Due to the size and scale of operations of the Company the full Board undertakes the role of the Audit Committee. Below is a summary of the role and responsibilities of an Audit Committee.

**Role**
The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

As the whole Board only consisted of four members for the majority of the reporting year and three members as at the date of this report, the Company did not have an audit committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues and an audit committee cannot be justified based on a cost-benefit analysis. However, in accordance with the ASX Listing Rules, the Company has adopted a formal Audit and Risk Committee Charter consistent with the CGC Recommendations for the current reporting year.

In the absence of an audit committee, the Board sets aside time to deal with issues and responsibilities usually delegated to the audit committee to ensure the integrity of the financial statements of the Company and the independence of the external auditor.

**Responsibilities**
The Audit Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval to the members.

The Audit Committee each year reviews the appointment of the external auditor, their independence, the audit fee, and any questions of resignation or dismissal.

The Audit Committee is also responsible for establishing policies on risk oversight and management.

**Risk Management Policies**

The Board's Charter clearly establishes that it is responsible for ensuring there is a good sound system for overseeing and managing risk. The Board has established a formal policy for risk management and a framework for monitoring and managing material business risks on an ongoing basis. Due to the size and scale of operations, risk management issues are considered by the Board as a whole. On 28 August 2009, the Board adopted a formal Audit and Risk Committee Charter that delegates the governance of the policy to the Audit and Risk Committee.

**Remuneration Committee**

The Board has established a Remuneration Committee, which operates under a charter approved by the board. The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees, executives and directors.

The Remuneration Committee consists of the Non-Executive Directors. Members of the remuneration committee throughout the year were:

Mr Timothy Turner
Mr Brian Maher

**Responsibilities**
The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both Executive and Non-Executive Directors and making recommendations on any proposed changes and undertaking reviews of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals and reviewing progress in achieving those goals.

**Remuneration Policy**
Directors' Remuneration has been approved by resolutions of the Board and resolutions of the Remuneration Committee on various dates as and when Directors have been appointed to the Company.

**Senior Executive Remuneration Policy**
The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. Consequently, under the Senior Executive Remuneration Policy the remuneration of senior executive may be comprised of the following:

- fixed fee that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in any share/option scheme with thresholds approved by shareholders;
- statutory superannuation.

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the Company aims to align the interests of senior executives with those of shareholders and increase Company performance.

The value of shares and options were they to be granted to senior executives would be calculated using the Black-Scholes option pricing model.

The objective behind using this remuneration structure is to drive improved Company performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

The Board may use its discretion with respect to the payment of bonuses, stock options and other incentive payments.

**Non-Executive Director Remuneration Policy**
Non-Executive Directors are to be paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non - Executive Directors bonuses are determined by the Remuneration Committee.

**Current Director Remuneration**
Full details regarding the remuneration of Directors, is included in the Directors' Report on page 10.

**Nomination Committee**

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times. As the whole Board only consisted of four members for the majority of the year and three members as at the date of this report, the Company does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

**Responsibilities**

The responsibilities of a Nomination Committee would include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Nomination Committee would also oversee management succession plans including the CEO and his/her direct reports and evaluate the Board's performance and make recommendations for the appointment and removal of Directors. Currently the Board as a whole performs this role.

**Criteria for selection of Directors**

Directors are appointed based on the specific governance skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with relevant industry experience. In addition, Directors should have the relevant blend of personal experience in accounting and financial management and Director-level business experience.

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| Revenue | 2(a) | **19,740,294** | 1,542,218 | **141,238,052** | 1,531,854 |
| Other income | 2(a) | **236, 812,168** | 1,230,322 | **1,329,109** | 1,230,322 |
| Employee benefits expense | | **(3,941,081)** | (699,685) | **(3,941,081)** | (699,685) |
| Consulting expenses | | **(5,967,145)** | (1,898,464) | **(3,663,677)** | (1,898,464) |
| Occupancy expenses | | **(337,743)** | (350,388) | **(337,743)** | (350,388) |
| Compliance and regulatory expenses | | **(247,023)** | (196,332) | **(245,826)** | (191,895) |
| Travel and accommodation | | **(312,963)** | (359,286) | **(312,963)** | (359,286) |
| Share registry maintenance | | **(156,503)** | (131,423) | **(156,503)** | (131,423) |
| Other expenses | | **(628,349)** | (362,581) | **(600,785)** | (388,985) |
| Depreciation and amortisation expense | 2(b) | **(68,185)** | (41,413) | **(66,561)** | (40,152) |
| Finance costs | 2 (c) | **(407,522)** | - | **(146,785)** | - |
| Impairment of investment in associate | 2 (b) | **(854,331)** | - | **-** | - |
| Loss on fair value of financial assets through profit and loss | 2 (b) | **-** | - | **(2,738,799)** | - |
| Impairment of investment in controlled entities | 2(b) | **-** | - | **-** | (1,040,896) |
| Reversal of impairment of loan to controlled entity | 2(b) | **-** | - | **-** | 204,549 |
| Discount on acquisition of business combination | 24 | **55,385,237** | - | **-** | - |
| Loss on disposal of plant and equipment | 2(b) | **-** | (75,764) | **-** | (75,764) |
| **Profit/(loss) before income tax benefit / (expense)** | | **299,016,854** | (1,342,796) | **130,356,438** | (2,210,213) |
| Income tax (expense) / benefit | 3 | **(70,007,524)** | 3,522,268 | **3,138,735** | 15,028,701 |
| **Net profit for the year** | | **229,009,330** | 2,179,472 | **133,495,173** | 12,818,488 |

| | Note | Consolidated 2009 | Consolidated 2008 |
|---|---|---|---|
| **Earnings per share:** | | | |
| Basic (cents per share) | 21 | **47.27** | 0.77 |
| Diluted (cents per share) | 21 | **45.57** | 0.47 |

*The income statements above should be read in conjunction with the accompanying notes.*

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | | **74,058,703** | 16,137,185 | **56,223,665** | 16,007,468 |
| Restricted cash | 12 | **5,657,334** | - | **-** | - |
| Trade and other receivables | 7 | **49,906,564** | 260,446 | **1,433,585** | 258,523 |
| Inventories | | **4,421,135** | - | **-** | - |
| | | **134,043,736** | 16,397,631 | **57,657,250** | 16,265,991 |
| Non-current assets classified as held for sale | 8 | **-** | 56,861,281 | **-** | - |
| **Total Current Assets** | | **134,043,736** | 73,258,912 | **57,657,250** | 16,265,991 |
| **Non-Current Assets** | | | | | |
| Trade and other receivables | 9 | **5,748,502** | 8,268 | **134,269,203** | 19,900,847 |
| Financial assets at fair value through profit and loss | 10 | **36,528,153** | 4,051,037 | **9,382,509** | 35,539,492 |
| Entities accounted for using the equity method | 25 | **38,384,711** | - | **-** | - |
| Interests in associates carried at cost | 25 | **-** | - | **27,691,260** | - |
| Restricted cash | 12 | **10,812,629** | 170,903 | **1,871,946** | 147,491 |
| Property, plant and equipment | 13 | **8,919,387** | 160,320 | **183,490** | 158,696 |
| Exploration and evaluation expenditure | 14 | **154,679,278** | 28,000 | **-** | - |
| Deferred tax asset | 3 | **-** | 3,855,707 | **1,696,769** | 20,935,988 |
| **Total Non-Current Assets** | | **255,072,660** | 8,274,235 | **175,095,177** | 76,682,514 |
| **Total Assets** | | **389,116,396** | 81,533,147 | **232,752,427** | 92,948,505 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 15 | **23,298,792** | 617,634 | **24,533,221** | 1,620,932 |
| Borrowings | 17 | **15,870,860** | - | **-** | - |
| Current tax liabilities | | **24,434,549** | - | **24,430,705** | - |
| Deferred income | | **36,822** | 5,000,000 | **-** | 5,000,000 |
| **Total Current Liabilities** | | **63,641,023** | 5,617,634 | **48, 963,926** | 6,620,932 |
| **Non-Current Liabilities** | | | | | |
| Provisions | 16 | **11,922,606** | - | **-** | - |
| Borrowings | 17 | **2,991,074** | - | **-** | - |
| Deferred tax liability | 3 | **41,671,096** | - | **-** | - |
| **Total Non-Current Liabilities** | | **56,584,776** | - | **-** | - |
| **Total Liabilities** | | **120,225,799** | 5,617,634 | **48, 963,926** | 6,620,932 |
| **Net Assets** | | **268,890,597** | 75,915,512 | **183,788,501** | 86,327,573 |
| **Equity** | | | | | |
| Issued capital | 18 | **126,016,077** | 82,008,254 | **126,016,077** | 82,008,254 |
| Reserves | 19 | **4,386,526** | 15,458,304 | **4,386,526** | 15,458,304 |
| Retained profits / (Accumulated losses) | 20 | **138,487,994** | (21,551,046) | **53,385,898** | (11,138,985) |
| **Total Equity** | | **268,890,597** | 75,915,512 | **183,788,501** | 86,327,573 |

*The balance sheets above should be read in conjunction with the accompanying notes.*

| Consolidated | Note | Issued Capital<br>$ | Retained Profits / (Accumulated Losses)<br>$ | Share Based Payment Reserve<br>$ | Total<br>$ |
|---|---|---|---|---|---|
| **Balance at 1 July 2007** | | 54,094,995 | (23,761,730) | 17,663,230 | 47,996,495 |
| Removal of accumulated losses from subsidiary sold during the year | | - | 31,212 | - | 31,212 |
| Profit for the year | | - | 2,179,472 | - | 2,179,472 |
| Total recognised income and expense | | - | 2,210,684 | - | 2,210,684 |
| Share based payments | 18,19 | 2,000,000 | - | 1,192,050 | 3,192,050 |
| Contributions of equity net of transaction costs | 18 | 25,579,821 | - | (3,396,976) | 22,182,845 |
| Tax effect of capital raising costs | 18 | 333,438 | - | - | 333,438 |
| Transactions with equity holders in their capacity as equity holders | | 27,913,259 | - | (2,204,926) | 25,708,333 |
| **Balance at 30 June 2008** | | 82,008,254 | (21,551,046) | 15,458,304 | 75,915,512 |
| **Balance at 1 July 2008** | | 82,008,254 | (21,551,046) | 15,458,304 | 75,915,512 |
| Profit for the year | | - | 229,009,330 | - | 229,009,330 |
| Total recognised income and expense | | - | 229,009,330 | - | 229,009,330 |
| Share based payments | 18 | 20,770,000 | - | - | 20,770,000 |
| Value of options issued to consultants | 19 | - | - | 2,107,540 | 2,107,540 |
| Shares issued on conversion of options | 18,19 | 54,553,360 | - | (13,179,318) | 41,374,042 |
| Dividends paid | 20 | - | (68,970,290) | - | (68,970,290) |
| Capital reduction | 18 | (31,365,644) | - | - | (31,365,644) |
| Tax effect of capital raising costs | 18 | 50,107 | - | - | 50,107 |
| Transactions with equity holders in their capacity as equity holders | | 44,007,823 | (68,970,290) | (11,071,778) | (36,034,245) |
| **Balance at 30 June 2009** | | 126,016,077 | 138,487,994 | 4,386,526 | 268,890,597 |

*The statements of changes in equity above should be read in conjunction with the accompanying notes.*

| **Parent Entity** | **Note** | **Issued Capital** $ | **Retained Profits / (Accumulated Losses)** $ | **Share Based Payment Reserve** $ | **Total** $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2007** | | 54,094,995 | (23,957,473) | 17,663,230 | 47,800,752 |
| Profit for the year | | - | 12,818,488 | - | 12,818,488 |
| Total recognised income and expense | | - | 12,818,488 | - | 12,818,488 |
| Share based payments | 18,19 | 2,000,000 | - | 1,192,050 | 3,192,050 |
| Contributions of equity net of transaction costs | 18 | 25,579,821 | - | (3,396,976) | 22,182,845 |
| Tax effect of capital raising costs | 18 | 333,438 | - | - | 333,438 |
| Transactions with equity holders in their capacity as equity holders | | 27,913,259 | - | (2,204,926) | 25,708,333 |
| **Balance at 30 June 2008** | | 82,008,254 | (11,138,985) | 15,458,304 | 86,327,573 |
| **Balance at 1 July 2008** | | 82,008,254 | (11,138,985) | 15,458,304 | 86,327,573 |
| Profit for the year | | - | 133,495,173 | - | 133,495,173 |
| Total recognised income and expense | | - | 133,495,173 | - | 133,495,173 |
| Share based payments | 18 | 20,770,000 | - | - | 20,770,000 |
| Value of options issued to consultants | 19 | - | - | 2,107,540 | 2,107,540 |
| Shares issued on conversion of options | 18,19 | 54,553,360 | - | (13,179,318) | 41,374,042 |
| Dividends paid | 20 | - | (68,970,290) | - | (68,970,290) |
| Capital reduction | 18 | (31,365,644) | - | - | (31,365,644) |
| Tax effect of capital raising costs | 18 | 50,107 | - | - | 50,107 |
| Transactions with equity holders in their capacity as equity holders | | 44,007,823 | (68,970,290) | (11,071,778) | (36,034,245) |
| **Balance at 30 June 2009** | | 126,016,077 | 53,385,898 | 4,386,526 | 183,788,501 |

*The statements of changes in equity above should be read in conjunction with the accompanying note*

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Payments to suppliers and employees (inclusive of goods and services tax) | | **(5,300,335)** | (17,580,961) | **(4,585,415)** | (8,615,489) |
| Interest received | | **11,404,391** | 785,404 | **10,078,166** | 776,962 |
| Interest paid | | **(288,867)** | - | **(28,129)** | - |
| Other revenue | | **1,817,669** | 114,007 | **38,225** | 114,007 |
| Net cash provided by / (used in) operating activities | 30(b) | **7,632,858** | (16,681,550) | **5,502,847** | (7,724,520) |
| **Cash flows from investing activities** | | | | | |
| Payment for plant and equipment | 13 | **(95,915)** | (38,936) | **(91,355)** | (38,936) |
| Payment for exploration assets | | **(1,901,633)** | (2,000,000) | **-** | - |
| Proceeds on disposal of tenements | 8 | **315,000,000** | - | **-** | - |
| Payment of commission on disposal of tenements | 8 | **(30,400,000)** | - | **-** | - |
| Payment on acquisition of Lady Annie assets and Mineral Securities Limited | 24 | **(34,961,649)** | - | **-** | - |
| Payment of acquisition related costs | 24 | **(1,257,463)** | - | **-** | - |
| Cash balances acquired on acquisition of Mineral Securities Limited | 24 | **2,026,211** | - | **-** | - |
| Purchase of debt in relation to Lady Annie and Mineral Securities Limited | 24 | **(71,015,229)** | - | **-** | - |
| Provision of working capital facility in relation to Lady Annie and Mineral Securities Limited | 24 | **(18,000,000)** | - | **-** | - |
| Provision of other funding in relation to Lady Annie Limited and Mineral Securities Limited | 24 | **(1,648,191)** | - | **-** | - |
| Purchase of equity investments | 7 | **(9,774,083)** | (69,500) | **(9,614,086)** | (69,500) |
| Purchase of equity interest in associate | 25 | **(6,921,260)** | - | **(6,921,260)** | - |
| Payments for security bonds | | **(11,378,756)** | - | **(1,724,455)** | - |
| Receipts from security bonds | | **-** | 117,545 | **-** | 118,957 |
| Non-refundable deposit – Ding Sale | | **-** | 750,000 | **-** | 750,000 |
| Non-refundable deposit – MCC Sale | 8 | **-** | 5,000,000 | **-** | 5,000,000 |
| Proceeds from sale of equity investments | | **2,872,923** | 1,678,048 | **2,872,923** | 1,678,048 |
| Payment on issue of loan notes | 7,9 | **(38,080,501)** | - | | - |
| Loans to controlled entities | | **-** | - | **(20,846,614)** | (11,008,562) |
| Dividend received from controlled entity | | **-** | - | **130,000,000** | - |
| Proceeds from loans from non associated entities | | **-** | 3,854,056 | **-** | 3,854,056 |
| Net cash provided by investing activities | | **94,464,454** | 9,291,213 | **93,675,153** | 284,063 |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | 17 | **14,786,009** | - | **-** | - |
| Dividends paid | 20 | **(68,970,290)** | - | **(68,970,290)** | - |
| Return of capital | 18 | **(31,365,644)** | - | **(31,365,644)** | - |
| Proceeds from issues of equity securities | 18 | **41,374,131** | 21,610,138 | **41,374,131** | 21,610,138 |
| Net cash (used in) / provided by financing activities | | **(44,175,794)** | 21,610,138 | **(58,961,803)** | 21,610,138 |
| **Net increase in cash and cash equivalents** | | **57,921,518** | 14,219,801 | **40,216,197** | 14,169,681 |
| **Cash and cash equivalents at the beginning of the financial year** | | **16,137,185** | 1,917,384 | **16,007,468** | 1,837,787 |
| **Cash and cash equivalents at the end of the financial year** | 30(a) | **74,058,703** | 16,137,185 | **56,223,665** | 16,007,468 |

*The cash flow statements above should be read in conjunction with the accompanying notes*

## 1. Summary of Accounting Policies

### Statement of compliance

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Cape Lambert Iron Ore Limited and its controlled entities. Cape Lambert Iron Ore Limited is a public listed company, incorporated and domiciled in Australia.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

The financial statements were authorised for issue by the directors on 30 September 2009.

### Adoption of New and Revised Accounting Standards

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Consolidated Entity's and the parent entity's assessment of the impact of these new standards and interpretations is set out below:

- AASB 8 *Operating Segments* and AASB 2007-3 *Amendments to Australian Accounting Standards arising from AASB 8* - AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Consolidated Entity will adopt AASB 8 from 1 July 2009. Application of AASB 8 is note expected to result in different segments, segment results and different types of information being reported in the segment note of the financial report.
- Revised AASB 123 *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12] - The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Consolidated Entity, as the Consolidated Entity already capitalises borrowing costs relating to qualifying assets.
- Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* - A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Consolidated Entity intends to apply the revised standard from 1 July 2009.
- Revised AASB 3 *Business Combinations*, AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009. The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed.

## 1. Summary of Accounting Policies *(continued)*

### Adoption of New and Revised Accounting Standards *(continued)*

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.
The Consolidated Entity will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 January 2009)
  In July 2008, the AASB issued a number of improvements to existing Australian Accounting Standards Standards. The Consolidated Entity will apply the revised standards from 1 July 2009 and does not expect that any adjustments will be necessary as the result of applying the revised rules.
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective 1 July 2009). The amendments to AASB 5 *Discontinued Operations* and AASB 1 *First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards* are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Consolidated Entity will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.
- AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 January 2009). In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AABS 127 *Consolidated and Separate Financial Statements*. The Consolidated Entity will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations and the new parent accounts for its investment in the original parent at cost, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary rather than the subsidiary's fair value.
- AASB Interpretation 17 *Distribution of Non-Cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17* (effective 1 July 2009). AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Consolidated Entity will apply the interpretation prospectively from 1 July 2009.
- AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments* (effective for annual periods beginning on or after 1 January 2009). In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosure* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Consolidated Entity will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

### Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

## 1. Summary of Accounting Policies *(continued)*

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. Borrowing costs are expensed and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(b) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(c) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Refer also to Note 1(o) for accounting policy regarding share based payments.

(d) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’, ‘held-to-maturity’ investments, ‘available-for-sale’ financial assets, and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

<u>Financial Assets at Fair Value through Profit or Loss</u>

The Consolidated Entity has classified certain shares and options held for trading as financial assets at fair value through profit or loss. Financial assets held for trading purposes are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

## 1. Summary of Accounting Policies *(continued)*

### (d) Financial Assets *(continued)*

Loans and Receivables

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

All parent entity loans receivable from controlled entities are due and repayable on demand and non-interest bearing.

### (e) Financial Instruments Issued by the Company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

### (f) Foreign Currency

Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except that exchange differences which relate to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

Functional and presentation currency

Items included in the financial statements of each of the Consolidated Entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Australian dollars, which is Cape Lambert Iron Ore Limited’s functional and presentation currency.

## 1. Summary of Accounting Policies *(continued)*

(g) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
(ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(h) Impairment of assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately to the extent that the initial impairment was recognised in the income statement, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

**1. Summary of Accounting Policies *(continued)***

(i) Income Tax *(continued)*

Deferred Tax *(continued)*

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Cape Lambert Iron Ore Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in note 3 to the financial statements. Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(j) Payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obligated to make future payments resulting from the purchase of goods and services.

**1. Summary of Accounting Policies *(continued)***

(k) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the Consolidated Entity, being the Company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in note 26 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceeds the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The consolidated financial statements include the information and results of each subsidiary from the date on which the Company obtains control and until such time as the Company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Consolidated Entity, are eliminated in full.

(l) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

| | |
|---|---|
| Plant and equipment | 2.5 - 5.5 years |

(m) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

**1. Summary of Accounting Policies *(continued)***

(n) Revenue recognition

Sale of Goods

Revenue from the sale of goods is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Royalties

Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement.

Interest Revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(o) Share-based Payments

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(p) Investment in Subsidiaries

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

(q) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest where right of tenure is current. Costs associated with these identifiable areas of interests are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(r) Segment Reporting

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

## 1. Summary of Accounting Policies *(continued)*

(s) Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Consolidated Entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interests and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(t ) Associates

Associates are all entities over which the Consolidated Entity has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Consolidated Entity's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Consolidated Entity's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Consolidated Entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(u) Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. Non-current assets classified as held for sale are presented separately from other assets in the balance sheet.

(v) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Consolidated Entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**1. Summary of Accounting Policies *(continued)***

(w) Business Combinations

The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value.
Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(x) Comparative Figures

Certain comparative figures have been reclassified to conform to the current year’s presentation.

(y) Critical Judgements in Applying the Consolidated Entity’s Accounting Policies

<u>Exploration and Evaluation</u>

The Consolidated Entity’s accounting policy for exploration and evaluation is set out at Note 1(q). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off to the income statement.

<u>Deferred Taxes</u>

The Consolidated Entity’s accounting policy for deferred taxes is set out at Note 1(i). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available.

<u>Business Combination</u>

On 29 June 2009 the Consolidated Entity acquired 100% of the shares of Mineral Securities Limited and the tenements and assets associated with the Lady Annie Mine located in Mt Isa, Queensland from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed). Management have made a number of assumptions in determining the fair values of the assets acquired and liabilities assumed pursuant to this business combination.

| | Note | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|---|
| **2. Profit/(Loss) from Operations** | | | | | |
| **(a) Revenue and other income** | | | | | |
| Interest received | | **17,850,327** | 678,212 | **11,199,826** | 667,847 |
| Dividends received from controlled entity | | **-** | - | **130,000,000** | - |
| Other revenue | | **1,889,967** | 864,006 | **38,226** | 864,007 |
| | | **19,740,294** | 1,542,218 | **141,238,052** | 1,531,854 |
| Gain on disposal of equity securities | | **1,329,109** | 433,745 | **1,329,109** | 433,745 |
| Gain on disposal of tenements | 8 | **232,667,721** | - | **-** | - |
| Gain on fair value of financial assets through profit and loss | | **252,055** | 796,577 | **-** | 796,577 |
| Discount received on acquisition of debt | | **2,563,283** | - | **-** | - |
| | | **236,812,168** | 1,230,322 | **1,329,109** | 1,230,322 |
| **(b) Expenses** | | | | | |
| Profit / (loss) before income tax includes the following specific expenses: | | | | | |
| Depreciation of plant and equipment | 13 | **62,503** | 41,163 | 60,879 | 39,902 |
| Amortisation of leasehold improvements | 13 | **5,682** | 250 | 5,682 | 250 |
| Depreciation and amortisation expense | | **68,185** | 41,413 | 66,561 | 40,152 |
| Impairment of investment in controlled entities | | **-** | - | - | 1,040,896 |
| Reversal of impairment of loans to controlled entities | | **-** | - | - | (204,549) |
| Impairment of investment in associate | 25 | **854,331** | - | - | - |
| Loss on fair value of financial assets through profit and loss | | **-** | - | 2,738,799 | - |
| Net loss on disposal of plant and equipment | | **-** | 75,764 | - | 75,764 |
| Rental expense relating to operating leases - minimum lease payments | | **236,028** | 201,469 | **236,028** | 201,469 |
| **(c) Finance costs** | | | | | |
| Interest and finance charges paid or payable | | **407,522** | - | **146,785** | - |

## 3. Income Taxes

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Major components of income tax expense for the year are: | | | | |
| **Income statement** | | | | |
| *Current income* | | | | |
| Current income tax charge / (benefit) | **24,430,708** | - | **(715,755)** | - |
| *Deferred income tax* | | | | |
| Relating to origination and reversal of temporary differences | **46,771,968** | 14,105,010 | **(1,227,828)** | (885,778) |
| Benefit from previously unrecognised tax loss used to reduce deferred tax expense | **(1,195,152)** | (17,627,278) | **(1,195,152)** | (14,142,923) |
| Income tax expense / (benefit) reported in income statement | **70,007,524** | (3,522,268) | **(3,138,735)** | (15,028,701) |

**Statement of changes in equity**

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| *Deferred income tax* | | | | |
| Capital raising costs | **(50,107)** | (333,438) | **(50,107)** | (333,438) |
| Income tax expense reported in equity | **(50,107)** | (333,438) | **(50,107)** | (333,438) |

**Reconciliation**

A reconciliation of income tax expense/(benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the year is as follows:

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Accounting profit / (loss) before income tax | **299,016,854** | (1,342,796) | **130,356,438** | (2,210,213) |
| At the statutory income tax rate of 30% (2008: 30%) | **89,705,057** | (402,839) | **39,106,931** | (663,064) |
| Add: | | | | |
| Non-deductible expenses | **11,561** | 389,079 | **11,561** | 389,079 |
| Non-assessable dividends received | **-** | - | **(39,000,000)** | - |
| Non-assessable discount on acquisition | **(16,615,571)** | - | **-** | - |
| Share based payments | **490,287** | - | **490,287** | - |
| Deferred tax asset not recognised | **120,737** | - | **-** | - |
| Temporary differences not recognised | **-** | - | **-** | 137,812 |
| Adjustment of prior year estimates | **(2,509,395)** | - | **(2,552,362)** | - |
| Recognition of prior year tax losses not previously recognised | **(1,195,152)** | (3,508,508) | **(1,195,152)** | (14,892,528) |
| At effective income tax rate of 23% (Parent:-881% ) (2008: Consol : 262% ;Parent: 680%) | **70,007,524** | (3,522,268) | **(3,138,735)** | (15,028,701) |
| Income tax expense / (benefit) reported in income statement | **70,007,524** | (3,522,268) | **(3,138,735)** | (15,028,701) |

## 3. Income Taxes *(continued)*

**Tax Consolidation**
The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Consolidated Entity have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Cape Lambert Iron Ore Limited.

**Tax Effect Accounting by Members of the Tax Consolidated Group**
Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of tax under the tax funding agreement is recognised as an increase/decrease in the controlled entities' intercompany accounts with the tax consolidated group head Company, Cape Lambert Iron Ore Limited.

In this regard the Company has assumed the benefit of tax losses from controlled entities of $nil (2008: $5,573,848) as of the balance date. The Company has received a payment from the controlled entities of $46,858,676 (2008: nil) as of the balance date in respect of the current year tax liability for the tax consolidated group. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

**Recognised deferred tax assets and liabilities**
The deferred tax liability balance comprises temporary differences attributable to:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Consolidated** | | | | |
| Accrued income | 800,910 | 6,176 | 336,498 | 5,599 |
| Capitalised expenditure | 45,547,238 | - | - | - |
| Non current assets classified as held for sale | - | 17,079,703 | - | - |
| Financial assets | 728,682 | 619,524 | - | 619,524 |
| Property, plant and equipment | - | 4,933 | - | 4,933 |
| Deferred tax liability | 47,076,830 | 17,710,336 | 336,498 | 630,056 |

The deferred tax asset balance comprises temporary differences attributable to:

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Consolidated** | | | | |
| Losses available for offset against future taxable income | 1,731,531 | 19,716,771 | 1,731,533 | 19,716,771 |
| Accrued expenses and provisions | 46,361 | 10,902 | 38,157 | 10,902 |
| Financial assets | - | - | 223,564 | - |
| Unearned revenue | 11,047 | - | - | - |
| Property, plant and equipment | - | 4,932 | - | 4,933 |
| Capital raising costs | 40,013 | 333,438 | 40,013 | 333,438 |
| Deferred income | - | 1,500,000 | - | 1,500,000 |
| Provision for site restoration | 3,576,782 | - | - | - |
| Deferred tax asset | 5,405,732 | 21,566,043 | 2,033,267 | 21,566,044 |
| | | | | |
| Net deferred tax asset /(liability) | (41,671,096) | 3,855,707 | 1,696,769 | 20,935,988 |

## 3. Income Taxes (Continued)

**Movement in temporary differences during the year**

| | Balance 1 July 2008 $ | Recognised in Income $ | Recognised in tax payable $ | Recognised in Equity $ | Balance 30 June 2009 $ |
|---|---|---|---|---|---|
| **Consolidated** | | | | | |
| Accrued income | 6,176 | 794,734 | - | - | **800,910** |
| Non-current assets classified as held for sale | 17,079,703 | (17,079,703) | - | - | **-** |
| Financial assets | 619,524 | 109,158 | - | - | **728,682** |
| Property, plant and equipment | 1 | (1) | - | - | **-** |
| Accrued expenses and provisions | (10,902) | (35,459) | - | - | **(46,361)** |
| Deferred income | (1,500,000) | 1,500,000 | - | - | **-** |
| Capital raising costs | (333,438) | 343,442 | - | (50,017) | **(40,013)** |
| Tax losses | (19,716,771) | 17,985,240 | - | - | **(1,731,531)** |
| Capitalised expenditure | - | 45,547,238 | - | - | **45,547,238** |
| Unearned revenue | - | (11,047) | - | - | **(11,047)** |
| Provision for site restoration | - | (3,576,782) | - | - | **(3,576,782)** |
| | (3,855,707) | 45,576,820 | - | (50,017) | **41,671,096** |
| **Parent** | | | | | |
| Accrued income | 5,599 | 330,899 | - | - | **336,498** |
| Financial assets | 619,524 | (843,088) | - | - | **(223,564)** |
| Property, plant and equipment | - | - | - | - | **-** |
| Accrued expenses and provisions | (10,902) | (27,255) | - | - | **(38,157)** |
| Deferred income | (1,500,000) | 1,500,000 | - | - | **-** |
| Capital raising costs | (333,438) | 343,442 | - | (50,017) | **(40,013)** |
| Tax losses | (19,716,771) | (3,726,979) | 21,712,217 | - | **(1,731,533)** |
| | (20,935,988) | (2,422,981) | 21,712,217 | (50,017) | **(1,696,769)** |

The Company has recognised deferred tax assets in relation to available Australian-source revenue losses incurred after entering into a tax consolidated group. The basis for bringing these tax losses to account as at 30 June 2009 is the increased likelihood that the Company will be able to generate taxable income in fiscal 2010 against which to utilise the available tax losses.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| **Unrecognised deferred tax assets** | | | | |
| Deferred tax assets have not been recognised in respect of the following items: | | | | |
| Provision for impairment on investments | - | 21,450 | 4,400,867 | 4,400,867 |
| Provision for impairment on loan accounts | - | - | 199,199 | 199,199 |
| Tax losses | - | 1,195,152 | - | 1,195,192 |
| @ 30% | - | 1,216,602 | 4,600,066 | 5,795,258 |

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits.

## 4. Key Management Personnel Remuneration

The following table discloses the remuneration of the key management personnel of the Company:

| 2009 | Cash Salary & Fees | Primary Cash Bonus | Non Monetary Benefits | Share Based Payment Equity Options | Total | % of Total Remuneration Fixed | At Risk Short Term Incentive | At Risk Long Term Incentive |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | % | % | % |
| **Directors** | | | | | | | | |
| I Burston | 22,950 | - | - | - | 22,950 | 100% | 0% | 0% |
| A Sage | 437,500 | 600,000 | - | - | 1,037,500 | 100% | 0% | 0% |
| B Maher | 39,450 | 200,000 | - | - | 239,450 | 100% | 0% | 0% |
| T Turner | 60,000 | 400,000 | - | - | 460,000 | 100% | 0% | 0% |
| P Landau | 60,000 | 400,000 | - | - | 460,000 | 100% | 0% | 0% |
| **Other Key Management Personnel** | | | | | | | | |
| J Hamilton | 181,300 | - | - | 378,600 | 559,900 | 32% | 68% | 0% |
| K Bischoff | 154,500 | - | - | 378,600 | 533,100 | 29% | 71% | 0% |
| GV Ariti | 279,300 | - | - | 757,200 | 1,036,500 | 27% | 73% | 0% |
| F Taylor | 7,278 | - | - | - | 7,278 | 100% | 0% | 0% |
| E von Puttkammer | 13,154 | - | - | - | 13,154 | 100% | 0% | 0% |
| | 1,255,432 | 1,600,000 | - | 1,514, 400 | 4,369,832 | 65% | 35% | 0% |

Notes:

1. For directors and executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.
2. I Burston resigned on 15 August 2008
3. P Landau resigned on 17 June 2009
4. F Taylor was appointed as Chief Financial Officer on 20 April 2009
5. E von Puttkammer was appointed as company secretary on 1 April 2009

## 4. Key Management Personnel Remuneration (Continued)

| 2008 | Cash Salary & Fees | Primary Cash Bonus | Non Monetary Benefits | Share Based Payment Equity Options | Total | % of Total Remuneration Fixed | At Risk Short Term Incentive | At Risk Long Term Incentive |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | % | % | % |
| **Directors** | | | | | | | | |
| I Burston | 189,000 | - | - | - | 189,000 | 100% | 0% | 0% |
| A Sage | 350,000 | - | - | - | 350,000 | 100% | 0% | 0% |
| B Maher | 24,600 | - | - | - | 24,600 | 100% | 0% | 0% |
| T Turner | 48,000 | - | - | - | 48,000 | 100% | 0% | 0% |
| P Landau | 48,000 | - | - | - | 48,000 | 100% | 0% | 0% |
| **Other Key Management Personnel** | | | | | | | | |
| J Hamilton | 244,650 | - | - | 177,000 | 421,650 | 58% | 0% | 42% |
| K Bischoff | 60,600 | - | - | - | 60,600 | 100% | 0% | 0% |
| GV Ariti | 290,390 | - | - | 354,000 | 644,390 | 45% | 0% | 55% |
| | 1,255,240 | - | - | 531,000 | 1,786,240 | 70% | 0% | 30% |

## 5. Share-Based Payment Arrangements

The following share-based payment arrangements were granted during the period:

| Option Series | Number | Grant Date | Expiry Date | Exercise Price $ | Fair Value at Grant Date $ |
|---|---|---|---|---|---|
| 30 June 2010 | 8,350,000 | 4 August 2008 | 30 June 2010 | 0.432* | 0.252 |
| | | | | | |

* exercise price at grant date was $0.50 but it has been reduced to $0.432 as a result of the capital return

The fair value of options granted during the year was $2,107,540 (2008: $1,192,050). The options were issued to consultants to the Company for no consideration as part of their remuneration packages. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of the share options granted during the financial year is $0.252 (2008: $0.179). Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility. No allowance has been made for the effects of early exercise.

The following share-based payment arrangements were outstanding as at 30 June 2009:

| Option Series | Number | Grant Date | Expiry Date | Exercise Price $ | Fair Value at Grant Date $ |
|---|---|---|---|---|---|
| 30-Jun-10 | 8,350,000 | 4 -Aug-08 | 30-Jun-10 | 0.432 | 0.252 |
| 31-Oct-10 | 28,000,000 | 15-Dec-05 | 31-Oct-10 | 0.309 | 0.079 |

## 5. Share-Based Payment Arrangements (Continued)

The following shows the model inputs for all options granted during the year, or outstanding at year end:

| | Option Series | |
|---|---|---|
| **Inputs into the Model** | **30-Jun-10** | **31-Oct-10** |
| Grant date share price | $0.62 | $0.300 |
| Exercise price | $0.50 | $0.309 |
| Expected volatility | 50% | 60% |
| Option life | 1.904 years | 4.879 years |
| Dividend yield | - | - |
| Risk-free interest rate | 7.500% | 5.700% |

The option expense recognised during the year was $1,634,290 (2008: $1,192,050) . The value of options capitalised during the year was $473,250 (2008: nil).

The Employee Incentive Scheme, approved by the shareholders in December 2000, entitles each option holder to one share exercisable any time up to or on the expiry date at the stated exercise price; does not confer the right to a change in exercise price; subject to the Corporations Act 2001, the ASX Listing Rules and the Company's Constitution are freely transferable; the shares, upon exercise of the options, will rank pari passu with the Company's then issued shares; will be applied for quotation; the Option Holder can participate in a pro rata issue to the holders of the underlying securities in the Company if the Options are exercised before the record date of an entitlement; in the event of any reconstruction of the issued capital of the Company, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to the reconstruction of capital, at the time of the reconstruction.

The following reconciles the outstanding share options granted, exercised and forfeited during the financial year:

| | **2009** | | **2008** | |
|---|---|---|---|---|
| | **Number of Options** | **Weighted Average Exercise Price $** | **Number of Options** | **Weighted Average Exercise Price $** |
| Balance at beginning of the financial year | **179,037,191** | **0.328** | 247,635,805 | 0.334 |
| Granted during the financial year | **8,350,000** | **0.50** | 6,650,000 | 0.490 |
| Exercised during the financial year (i) | **(140,244,178)** | **(0.295)** | (66,588,788) | (0.334) |
| Forfeited during the financial year | **(10,793,013)** | **(0.601)** | (8,659,826) | (0.591) |
| Balance at end of the financial year (ii) | **36,350,000** | **0.337** | 179,037,191 | 0.328 |
| Exercisable at end of the financial year | **36,350,000** | **0.337** | 179,037,191 | 0.328 |

### (i) Exercised during the financial year

During the financial year, 140,244,178 incentive options were exercised for a weighted average exercise price of $0.295.

### (ii) Balance at end of the financial year

The share options outstanding at the end of the financial year had a weighted average exercise price of $0.337 and the weighted average remaining contractual life was 460 days.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **6. Remuneration of Auditors** | | | | |
| **Auditor of the consolidated entity** | | | | |
| Audit or review of the financial report | **127,932** | 87,650 | **127,932** | 87,650 |
| Other non-audit services | **-** | - | **-** | - |
| | **127,932** | 87,650 | **127,932** | 87,650 |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **7. Current Trade and Other Receivables** | | | | |
| GST recoverable and other debtors | **535,502** | 221,144 | **273,022** | 219,221 |
| Prepayments | **105,220** | 39,302 | **38,903** | 39,302 |
| Interest receivable | **2,807,323** | | **1,121,660** | - |
| Loans to ASX listed entities (refer to note 11) | **2,370,070** | - | **-** | - |
| Loans to unlisted entities (a) | **44,088,449** | - | **-** | - |
| | **49,906,564** | 260,446 | **1,433,585** | 258,523 |

**(a) Loans to unlisted entities**

Loans to unlisted entities includes the following:

- an amount of $28,040,500 advanced during the year in the form of a convertible loan note which bears interest at the rate of 11.5% per annum. The conversion option embedded in the loan note allows the Consolidated Entity to convert the outstanding principal and accrued interest balance at a conversion rate of 1 share per every $0.50 of outstanding loan balance. Given that the borrower is an unlisted entity, the fair value of the conversion option cannot be reliably measured. Accordingly, a nil value has been assigned to the conversion option. The loan is due for repayment on 22 August 2009 or such later date as agreed by the parties to the convertible loan. Subsequent to year end, this loan has been converted into equity. Refer to note 29 for further details.
- an amount of $6,250,000 owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed). This amount will be repaid on settlement of the deferred consideration. Refer note 24 for further details.
- an amount of $4,697,948 owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) which is the fair value of equity securities in Buka Gold Limited, Corvette Resources Limited and Tianshan Goldfields Limited that were subject to the ASIC Takeovers Panel restrictions at the time the Consolidated Entity acquired a 100% interest in Mineral Securities Limited from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed). The Consolidated Entity is able to obtain a beneficial interest in these securities pursuant to a successful takeover bid. In the event takeover bids are not pursued or unsuccessful, the Consolidated Entity is entitled to the proceeds when the Receiver and Manager disposes of the securities. Refer to note 29 for details of the takeover bid lodged subsequent to year end.
- an amount of $5,100,000 owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) which represents the fair value of the equity securities in Niplats Limited that were subject to escrow restrictions at the time the Consolidated Entity acquired a 100% interest in Mineral Securities Limited from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed). Beneficial ownership of the Niplats will be transferred to the Consolidated Entity once Niplats shareholder approval has been obtained. In the event that shareholder approval is not obtained, the shares will be disposed of by the Receiver and Manager, with the Consolidated Entity being entitled to the proceeds.

**(b) Risk Exposure**

The Consolidated Entity and Company’s exposure to risk is discussed in note 31.

## 8. Non-Current Assets Classified as Held for Sale

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Exploration and evaluation expenditure | **-** | 56,861,281 | **-** | - |

During the year ended 30 June 2008, the Company entered into an agreement with Chinese conglomerate China Metallurgical Group Corporation ("MCC Mining") for the sale of the tenements related to the Cape Lambert Iron Ore Project (the "Project"). The sale was for total cash consideration of $400,000,000, with $80,000,000 of this amount contingent upon MCC Mining obtaining the grant of a mining lease and related construction approvals in respect of the Project (the "Approvals") within two years of the settlement date, 6 August 2008, or such other longer period that MCC Mining and the Company agree, -providing the Company has provided MCC Mining with reasonable assistance in obtaining the Approvals.

Sale proceeds of $5,000,000 were received in the year ended 30 June 2008 and were recorded as deferred income on the 30 June 2008 balance sheet. During the year ended 30 June 2009, additional sale proceeds of $315,000,000 were received and a commission fee of $30,400,000 to an unrelated party upon settlement of the sale transaction was paid.

As at 30 June 2009, the contingent sale proceeds of $80,000,000 had not been received as the Approvals had not yet been obtained by MCC Mining. If the Approvals are obtained by MCC Mining within two years of the settlement date of 6 August 2008, the contingent sale proceeds will be due for payment and the Company will be liable to pay an additional commission fee of $7,600,000 to the unrelated party (refer to note 23).

The $232,667,721 pre-tax net gain on sale of tenements has been calculated as follows:

| | $ |
|---|---|
| Sale proceeds received | 320,000,000 |
| Commission fee paid | (30,400,000) |
| Carrying value of tenements sold | (56,932,279) |
| | 232,667,721 |

## 9. Non-Current Trade and Other Receivables

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Amounts receivable from wholly owned subsidiaries | **-** | - | **134,924,697** | 20,556,575 |
| Provision for impairment | **-** | - | **(663,996)** | (663,996) |
| | **-** | - | **134,260,701** | 19,892,579 |
| Loans to ASX listed entities (a) | **3,500,000** | - | **-** | - |
| Loans to unlisted entities (b) | **2,240,000** | - | **-** | - |
| Amounts receivable from associated entities | **234** | - | **234** | - |
| Amounts receivable from non-associated entities | **8,268** | 8,268 | **8,268** | 8,268 |
| | **5,748,502** | 8,268 | **134,269,203** | 19,900,847 |

**(a) Loans to listed entities**

During the year the Consolidated Entity advanced an amount of $3,500,000 in the form of a loan note which bears interest at the rate of 12% per annum. Under the loan agreement the borrower is required to issue the Consolidated Entity 35,000,000 options. These options were issued on 6 August 2009 and have an exercise price of $0.05 and an expiry date of 6 August 2013. The loan is repayable on 10 December 2010, or such later date as agreed by the parties to the loan note.

## 9. Non-Current Trade and Other Receivables (Continued)

### (b) Loans to unlisted entities

During the year the Consolidated Entity advanced an amount of $2,240,000 in the form of a convertible loan note which bears interest at the rate of 12% per annum. The conversion option embedded in the loan note allows the Consolidated Entity to convert the outstanding principal and accrued interest balance at a conversion rate of 10 shares per every $1of outstanding loan balance. Given that the borrower is an unlisted entity, the fair value of the conversion option cannot be reliably measured. Accordingly, a nil value has been assigned to the conversion option. This loan is due for repayment on 19 August 2010 or such later date as agreed by the parties to the convertible note.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **(c) Risk Exposure** | | | | |

The Consolidated Entity and Company's exposure to risk is discussed in Note 31. The Parent Entity assesses the amounts receivable from wholly owned subsidiaries for impairment during the year and makes a provision accordingly, based on the net asset position of the subsidiary company and the ability to repay the loan. Classified as follows:

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| <u>Amounts receivable from non-associated entities</u> | | | | |
| Neither past due nor impaired | **8,268** | 8,268 | **8,268** | 8,268 |
| <u>Amounts receivable from associated entities</u> | | | | |
| Neither past due nor impaired | **234** | - | **234** | - |
| <u>Amounts receivable from ASX listed entities</u> | | | | |
| Neither past due nor impaired | **3,500,000** | - | **-** | - |
| <u>Amounts receivable from un listed entities</u> | | | | |
| Neither past due nor impaired | **2,240,000** | - | **-** | - |
| <u>Amounts receivable from wholly owned subsidiaries (i):</u> | | | | |
| Not impaired | **-** | - | **134,260,701** | 19,892,579 |
| Impaired | **-** | - | **663,996** | 663,996 |
| | **-** | - | **134,924,697** | 20,556,575 |

(i) All amounts receivable from wholly owned subsidiaries are non-interest bearing and due on demand.

The following reconciles the movement in the Parent Entity provision balance during the year:

| | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|
| Balance at the beginning of the financial year | **(663,996)** | (868,545) |
| Reversal of provision against loan receivable from Mt Anketell subsidiary | **-** | 204,549 |
| Balance at the end of the financial year | **(663,996)** | (663,996) |

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **10. Financial Assets** | | | | |
| Held for trading: | | | | |
| **At fair value (2008: fair value):** | | | | |
| Shares in listed entities | **26,153,119** | 4,051,037 | **4,382,505** | 4,051,037 |
| Shares in unlisted entities (a) | **5,160,000** | - | **5,000,000** | - |
| Conversion option (refer note 11) | **4,706,715** | - | **-** | - |
| Call option (refer note 11) | **508,319** | - | **-** | - |
| | **36,528,153** | 4,051,037 | **9,382,505** | 4,051,037 |
| **At cost (2008: cost):** | | | | |
| Shares in controlled entities | **-** | - | **14,598,060** | 46,086,511 |
| Less provision for impairment | **-** | - | **(14,598,056)** | (14,598,056) |
| | **-** | - | **4** | 31,488,455 |
| | **36,528,153** | 4,051,037 | **9,382,509** | 35,539,492 |

**(a) Shares in unlisted entities**

The unlisted securities are traded in inactive markets. Their fair value has been determined based on the present value of net cash inflows expected from disposal of the securities.

## 11. Convertible Loan Notes

During the year ended 30 June 2009, the Consolidated Enity advanced $4,300,000 to ASX listed entities in the form of convertible notes bearing interest at 12% per annum. At inception, the conversion options and call options within these 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 and the conversion options and call options have been measured at fair value, with any gains or losses being recognised in the income statement. Details are summarised below:

| | **Interest rate** | **Option conversion price** | **No. of call options issued** | **Call option exercise price** | **Fair value of loan at inception** | **Fair value of conversion option at inception** | **Fair value of call option at inception** |
|---|---|---|---|---|---|---|---|
| Loan note of $2,000,000 | 12% | $0.10 | 5,000,000* | $0.15 | 971,912 | 877,725 | 150,364 |
| Loan note of $2,300,000 | 12% | $0.15 | - | - | 909,797 | 1,390,203 | - |
| | | | | | 1,881,709 | 2,267,928 | 150,364 |
| Adjustment on recognition of second tranche of options | | | | | (9,052) | - | 9,052 |
| Interest receivable recognised using the effective interest rate | | | | | 767,335 | - | - |
| Interest received at the coupon rate | | | | | (269,922) | - | - |
| Gain on fair value of options through profit and loss | | | | | - | 2,438,787 | 348,903 |
| Carrying value at 30 June 2009 | | | | | **2,370,070** | **4,706,715** | **508,319** |

* the call options were issued in 2 tranches: 3,200,000 options were issued on 12 December 2008 and 1,800,000 options were issued on 29 January 2009.

The conversion options and call options in relation to the above loans were exercised subsequent to year end. Refer to note 29 for further information.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **12. Restricted Cash** | | | | |
| **Current restricted cash** | | | | |
| Deposits | **5,657,334** | - | **-** | - |
| **Non current restricted cash** | | | | |
| Deposits | **10,812,629** | 170,903 | **1,871,946** | 147,491 |

The restricted cash relates to term deposits held with the National Australia Bank, ANZ Bank, Macquarie Bank and Bank of Scotland as security for bank guarantees issued to:

(a) Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas;
(b) Landlords of leased properties; and
(c) Other third parties in line with contractual agreements.

The term deposits are not readily accessible to the Consolidated Entity and the Company.

***Risk Exposure***
The Consolidated Entity and Company's exposure to risk is discussed in Note 31.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **13. Property, Plant and Equipment** | | | | |
| Plant and Equipment | | | | |
| At cost | **9,120,596** | 324,224 | **347,024** | 286,549 |
| Accumulated depreciation | **(227,487)** | (164,985) | **(189,812)** | (128,934) |
| | **8,893,109** | 159,239 | **157,212** | 157,615 |
| Leasehold Improvements | | | | |
| At cost | **48,687** | 17,807 | **48,687** | 17,807 |
| Accumulated depreciation | **(22,409)** | (16,726) | **(22,409)** | (16,726) |
| | **26,278** | 1,081 | **26,278** | 1,081 |
| Total Property, Plant and Equipment | **8,919,387** | 160,320 | **183,490** | 158,696 |

## 13. Property, Plant and Equipment (Continued)

### (a) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

| **2009** | **Consolidated Plant & Equipment** | **Consolidated Leasehold Improvem-ents** | **Consolidated Total** | **Parent Entity Plant & Equipment** | **Parent Entity Leasehold Improvem-ents** | **Parent Entity Total** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance at beginning of the year | 159,239 | 1,081 | 160,320 | 157,615 | 1,081 | 158,696 |
| Additions | 65,036 | 30,879 | 95,915 | 60,476 | 30,879 | 91,355 |
| Acquired through a business combination | 8,731,337 | - | 8,731,337 | - | - | - |
| Depreciation expense | (62,503) | (5,682) | (68,185) | (60,879) | (5,682) | (66,561) |
| Carrying amount at 30 June 2009 | 8,893,109 | 26,278 | 8,919,387 | 157,212 | 26,278 | 183,490 |

| **2008** | **Consolidated Plant & Equipment** | **Consolidated Leasehold Improvem-ents** | **Consolidated Total** | **Parent Entity Plant & Equipment** | **Parent Entity Leasehold Improvem-ents** | **Parent Entity Total** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Balance at beginning of the year | 237,230 | 1,331 | 238,561 | 234,345 | 1,331 | 235,676 |
| Additions | 38,936 | - | 38,936 | 38,936 | - | 38,936 |
| Disposals | (75,764) | - | (75,764) | (75,764) | - | (75,764) |
| Depreciation expense | (41,163) | (250) | (41,413) | (39,902) | (250) | (40,152) |
| Carrying amount at 30 June 2008 | 159,239 | 1,081 | 160,320 | 157,615 | 1,081 | 158,696 |

### (b) Leased assets

Plant and equipment includes the following amounts where the Consolidated Entity is a lessee under a finance lease:

| | **Consolidated 2009** | **Consolidated 2008** | **Parent Entity 2009** | **Parent Entity 2008** |
|---|---|---|---|---|
| | **$** | **$** | **$** | **$** |
| Leased equipment acquired through a business combination | 1,447,466 | - | - | - |

## 14. Exploration and Evaluation Expenditure

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Exploration and evaluation phases – at cost** | | | | |
| **Movement in carrying amounts** | | | | |
| Brought forward | **28,000** | 38,324,659 | - | - |
| Exploration and evaluation expenditure capitalised during the year | **5,510,621** | 14,564,622 | - | - |
| Exploration assets acquired as part of a business combination (note 24) | **149,211,719** | - | - | - |
| Consideration for exploration assets acquired during the year – at valuation | **-** | 4,000,000 | - | - |
| Exploration assets sold during the year (note 8) | **(71,062)** | (56,861,281) | - | - |
| **Total exploration and evaluation phases** | **154,679,278** | 28,000 | - | - |
| **Total** | **154,679,278** | 28,000 | - | - |

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.

The Consolidated Entity'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.

## 15. Current Trade and Other Payables

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| <u>Unsecured</u> | | | | |
| Trade payables | **1,607,055** | 541,630 | **540,510** | 541,630 |
| Other creditors and accruals | **5,629,166** | 76,004 | **3,283,296** | 73,205 |
| Accrued stamp duty | **5,811,175** | - | **-** | - |
| Deferred purchase consideration | **10,000,000** | - | **-** | - |
| Employee benefits | **251,396** | - | **2,193** | - |
| Amounts payable to wholly owned subsidiaries | **-** | - | **20,707,222** | 1,006,097 |
| | **23,298,792** | 617,634 | **24,533,221** | 1,620,932 |

### (a) Risk Exposure

The Consolidated Entity and Company's exposure to risk is discussed in Note 31.

### Terms and Conditions

Terms and conditions relating to the above financial instruments
(i) Trade creditors are non-interest bearing and are normally settled on 45 day terms.
(ii) Sundry creditors and accruals are non-interest bearing and have an average term of 45 days.

## 16. Provisions

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Non current provisions** | | | | |
| Provision for site restoration and rehabilitation | **11,922,606** | - | - | - |
| | **11,922,606** | - | - | - |

During the year the Consolidated Entity acquired the tenements and other assets associated with the Lady Annie Mine site in Mt Isa, Queensland. The environmental protection obligations were assumed as part of that acquisition. Refer to note 24.

## 17. Borrowings

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Current borrowings** | | | | |
| Bank loans | **14,786,009** | - | - | - |
| Lease liabilities (note 22) | **1,084,851** | - | - | - |
| | **15,870,860** | - | - | - |
| **Non current borrowings** | | | | |
| Lease liabilities (note 22) | **2,991,074** | - | - | - |
| | **2,991,074** | - | - | - |

The bank loan was provided by Macquarie Bank Limited and was secured by funds held in a call account with Macquarie Bank Limited. Interest on this facility was charged at an average rate of 5.3% per annum. The loan was repaid in full in July 2009.

The lease liabilities are secured by the plant and equipment to which they relate. The lease liabilities were assumed as part of a business combination – refer to note 24.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **18. Issued Capital** | | | | |
| 532,797,213 fully paid ordinary shares (2008:322,553,035) | **126,016,077** | 82,008,254 | **126,016,077** | 82,008,254 |

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Number** | **$** | **Number** | **$** |
| **Fully Paid Ordinary Shares** | | | | |
| Balance at beginning of financial year | **322,553,035** | **82,008,254** | 252,224,531 | 54,094,995 |
| Issue of shares pursuant to tenement acquisition | **-** | **-** | 3,739,716 | 2,000,000 |
| Options exercised July 2007 | **-** | **-** | 12,742,970 | 4,486,180 |
| Options exercised September 2007 | **-** | **-** | 12,000,000 | 4,523,981 |
| Options exercised October 2007 | **-** | **-** | 13,500 | 3,739 |
| Options exercised December 2007 | **-** | **-** | 914,175 | 365,670 |
| Options exercised March 2008 | **-** | **-** | 8,165,395 | 2,261,814 |
| Options exercised April 2008 | **-** | **-** | 23,257,983 | 6,673,611 |
| Options exercised May 2008 | **-** | **-** | 1,485,000 | 571,095 |
| Options exercised June 2008 | **-** | **-** | 8,009,765 | 3,296,755 |
| Options exercised July 2008 | **58,335,913** | **16,219,530** | - | - |
| Options exercised August 2008 | **54,674,000** | **17,644,698** | - | - |
| Options exercised September 2008 | **4,491,144** | **1,244,047** | - | - |
| Options exercised October 2008 | **22,241,846** | **6,161,002** | - | - |
| Options exercised November 2008 | **491,275** | **102,676** | - | - |
| Options exercised February 2009 | **10,000** | **2,089** | - | - |
| Shares issued as purchase consideration of associate on 1 October 2008 | **44,000,000** | **15,840,000** | - | - |
| Shares issued as purchase consideration of associate on 22 January 2009 | **17,000,000** | **4,930,000** | - | - |
| Return of capital in October 2008** | **-** | **(31,365,644)** | - | - |
| Tax effect of capital raising costs | **-** | **50,107** | - | 333,438 |
| Recognition of options exercised* | **-** | **13,179,318** | - | 3,396,976 |
| Balance at end of financial year | **523,797,213** | **126,016,077** | 322,553,035 | 82,008,254 |

*The fair value of the options on issue date is transferred from the share based payments reserve upon exercise / expiry of the options.

** During the year a 6.8 cent per ordinary share return of capital was paid to shareholders.

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.

**(a) Capital Risk Management**

The Consolidated Entity and Company’s objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistently with others in the industry, the Consolidated Entity and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including “borrowings” and “trade and other payables” as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as “equity” as shown in the balance sheet plus net debt.

## 18. Issued Capital *(continued)*

### (a) Capital Risk Management *(continued)*

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Total borrowings | **41,909,330** | 617,634 | **24,533,221** | 1,620,932 |
| less: Cash and cash equivalents | **(74,058,703)** | (16,308,088) | **(56,223,665)** | (16,154,959) |
| Net (cash)/debt | **(32,149,373)** | (15,690,454) | **(31,690,444)** | (14,534,027) |
| Total equity | **268,890,597** | 75,915,512 | **183,788,501** | 86,327,573 |
| Total capital | **236,741,224** | 60,225,058 | **152,098,057** | 71,793,546 |
| Gearing ratio | **0%** | 0% | **0%** | 0% |

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **19. Reserves** | | | | |
| Share based payments reserve | **4,386,526** | 15,458,304 | **4,386,526** | 15,458,304 |
| | **4,386,526** | 15,458,304 | **4,386,526** | 15,458,304 |
| **(a) Share Based Payments Reserve** | | | | |
| Balance at beginning of financial year | **15,458,304** | 17,663,230 | **15,458,304** | 17,663,230 |
| Options issued on 26 July 2007 | **-** | 1,123,950 | **-** | 1,123,950 |
| Options issued on 26 September 2007 | **-** | 68,100 | **-** | 68,100 |
| Options issued on 4 August 2008 | **2,107,540** | - | **2,107,540** | - |
| Adjustment for options exercised in current year | **(13,179,318)** | (3,031,242) | **(13,179,318)** | (3,031,242) |
| Adjustment for options exercised in prior years | **-** | (365,734) | **-** | (365,734) |
| Balance at end of financial year | **4,386,526** | 15,458,304 | **4,386,526** | 15,458,304 |

On 4 August 2008, the Company issued 8,350,000 options exercisable at $0.432 each on or before 30 June 2010. The options were valued at $0.252 each (total $2,107,540) using a Black-Scholes Option Pricing Model with the following assumptions:

Grant date share price: $0.62
Days to expiration: 695
Estimated volatility: 50%
Risk-free rate: 7.5%

These share options carry no rights to dividends and no voting rights. Further details of the share based payments are contained in note 5 to the financial statements.

**Nature and Purpose of Reserves**
***Share based payments reserve***
The share based payments reserve records items recognised as expenses on valuation of employee share options, and options issued to directors and advisors.

## 20. Retained profits / (Accumulated Losses)

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Balance at beginning of financial year | **(21,551,046)** | (23,761,730) | **(11,138,985)** | (23,957,473) |
| Profit for the year | **229,009,330** | 2,179,472 | **133,495,173** | 12,818,488 |
| Removal of Global Iron accumulated losses | **-** | 31,212 | **-** | - |
| Payment of dividend | **(68,970,290)** | - | **(68,970,290)** | - |
| Balance at end of financial year | **138,487,994** | (21,551,046) | **(53,385,898)** | (11,138,985) |

## 21. Earnings per Share

| | 2009 Cents per Share | 2008 Cents per Share |
|---|---|---|
| Basic earnings per share | **47.27** | 0.77 |
| Diluted earnings per share | **45.57** | 0.47 |

**Basic Earnings per Share**
The profit and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

| | 2009 $ | 2008 $ |
|---|---|---|
| Profit for the year | **229,009,330** | 2,179,472 |

| | 2009 Number | 2008 Number |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **484,449,520** | 284,470,900 |

**Diluted Earnings per Share**
The earnings and weighted average number of ordinary shares used in the calculation of diluted earnings per share are as follows:

| | 2009 $ | 2008 $ |
|---|---|---|
| Profit for the year | **229,009,330** | 2,179,472 |

| | 2009 Number | 2008 Number |
|---|---|---|
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **502,500,911** | 467,243,201 |

## 22. Commitments

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Operating lease commitments** | | | | |
| Minimum lease payments not provided for in the financial report and payable: | | | | |
| not later than one year | **623,086** | 196,148 | **276,343** | 196,148 |
| later than one year but not later than five years | **1,306,611** | 459,503 | **381,962** | 459,503 |
| later than five years | **-** | - | **-** | - |
| Aggregate expenditure contracted for at balance date but not provided for | **1,929,697** | 655,651 | **658,305** | 655,651 |

Notes:
(i) The Company entered into a lease commencing on 1 July 2007 for office premises at 18 Oxford Close, Leederville, for a period of 3 years, terminating on 30 June 2010.
(ii) The Company entered into a lease commencing on 1 May 2007 for office premises at 2 Ord Street West Perth, for a period of 5 years, terminating on 30 April 2012.
(iii) As part of the business combination detailed in note 24, Cape Lambert Minsec Pty Ltd has assumed the lease obligations for office premises located in Golden Square, London. The lease of these premises terminates on 3 July 2012.

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| **Finance lease commitments** | | | | |
| Commitments in relation to finance leases are payable as follows: | | | | |
| not later than one year (note 17) | **1,084,851** | - | **-** | - |
| later than one year but not later than five years (note 17) | **2,991,074** | - | **-** | - |
| later than five years | **-** | - | **-** | - |
| | **4,075,925** | - | **-** | - |

The Consolidated Entity leases various plant and equipment with a carrying value of $1,447,466 (2008: $nil) under finance leases expiring within one and four years.

**Mineral Tenement Discretionary Commitments**
In order to maintain current rights of tenure to mining tenements, the Consolidated Entity has the following discretionary exploration expenditure and rental requirements up until expiry of leases. These obligations, which are subject to renegotiation upon expiry of the leases, are not provided for in the financial statements and are payable:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Not longer than one year | **2,678,581** | 207,243 | - | - |
| Longer than one year, but not longer than five years | **4,264,303** | 1,414,294 | - | - |
| Longer than five years | **-** | - | - | - |
| | **6,942,884** | 1,621,537 | - | - |

If the Consolidated Entity decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the balance sheet may require review to determine the appropriateness of carrying values. The sale, transfer or farm-out of exploration rights to third parties will reduce or extinguish these obligations.

## 23. Contingent Assets and Liabilities

At 30 June 2009, the Consolidated Entity and the parent have the following contingent liabilities and contingent assets:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| ***Contingent Assets*** | | | | |
| Consideration receivable in relation to the sale of the Cape Lambert Project tenements (refer to note 8) | **80,000,000** | - | **80,000,000** | - |
| ***Contingent Liabilities*** | | | | |
| Commission payable in relation to the sale of the Cape Lambert Project tenements (refer to note 8) | **(7,600,000)** | - | **(7,600,000)** | - |

## 24. Business Combination

### (a) Summary of acquisition

In November 2008, CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) entered into voluntary administration.

On 6 February 2009, Dempsey Resources Pty Ltd, a wholly owned subsidiary of Cape Lambert Iron Limited, purchased the secured debt owing to Macquarie Bank Limited and Linq Capital Ltd by CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) and Mineral Securities Limited.

Dempsey Resources Pty Ltd, as a secured creditor, agreed to provide working capital funding to the Receivers and Managers to facilitate the administration process.

On 7 May 2009, two wholly owned subsidiaries of Cape Lambert Iron Limited, Cape Lambert Minsec Pty Ltd and Cape Lambert Lady Annie Exploration Pty Ltd, entered into agreements with CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) to purchase 100% of the shares of Mineral Securities Limited (Share Subscription and Sale Agreement) and the tenements and assets associated with the Lady Annie Mine located in Mt Isa, Queensland (Asset Sale Agreement). The Share Subscription and Sale Agreement contained a condition precedent requiring all conditions to completion of the Asset sale Agreement having been fulfilled. A similar condition precedent was contained in the Asset Sale Agreement. Accordingly two agreements have been accounted for as a single business combination.

The sale agreements completed on 29 June 2009. The provisional discount on acquisition, has arisen when comparing the assessment of the acquired identifiable assets, liabilities and contingent liabilities to the cost of the acquisition, and has been recognised in the Consolidated Entity's statutory net profit in the current period. The provisional discount on acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

Details of the fair value of the assets and liabilities acquired and the provisional discount resulting on acquisition are as follows:

| | $ |
|---|---|
| Agreed purchase price | 135,100,001 |
| Direct costs relating to the acquisition | 1,257,463 |
| Total purchase consideration (refer to (b) below) | 136,357,464 |
| Fair value of net identifiable assets acquired (refer to (c) below) | 191,742,701 |
| Provisional discount on acquisition | (55,385,237) |

**24. Business Combination *(continued)***

**(b) Purchase consideration**

| | **Consolidated $** |
|---|---|
| Agreed purchase price | 135,100,001 |
| Less: deferred consideration | (10,000,000) |
| Amount payable on completion | 125,100,001 |
| Less: | |
| Repayment of secured debt acquired by Dempsey Resources Pty Ltd on 6 February 2009 | (67,328,512) |
| Repayment of working capital facility provided by Dempsey Resources Pty Ltd | (18,000,000) |
| Refund of performance bond called upon at completion | (1,500,000) |
| Payment of interest on debt facilities provided by Dempsey Resources Pty Ltd | (3,161,649) |
| Refund of administrator and performance bond fees | (148,191) |
| | 90,138,352 |
| Cash payment on completion | 34,961,649 |

**(c) Assets and liabilities acquired**

The fair values of the assets and liabilities arising from the acquisition are as follows:

| | **Fair Value $** |
|---|---|
| Cash and cash equivalents | 2,026,211 |
| Restricted cash | 4,920,304 |
| Trade and other receivables | 10,126,746 |
| Inventory | 4,421,135 |
| Financial assets at fair value through profit and loss | 21,567,314 |
| Investments accounted for using the equity method | 11,547,782 |
| Property, plant & equipment | 8,731,337 |
| Exploration assets | 149,211,719 |
| **Total assets** | **212,552,548** |
| Trade and other payables | (4,562,113) |
| Provision for employee benefits | (249,203) |
| Lease liabilities | (4,075,925) |
| Environmental performance obligations | (11,922,606) |
| **Total liabilities** | **(20,809,847)** |
| **Net assets acquired** | **191,742,701** |

Notes:
The acquiree's carrying amount for the assets and liabilities acquired / assumed have not been provided as it is impracticable to do so given that certain accounting records were excluded from the assets acquired.

The fair values of assets and liabilities acquired are based on discounted cash flows and other pertinent valuation techniques. No acquisition provisions were created.

There were no acquisitions in the year ending 30 June 2008.

## 25. Investments in associates

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 $ | 2008 $ | 2009 $ | 2008 $ |
| Shares in associates accounted for using the equity method | **38,384,711** | - | | |
| Shares in associates at cost | **-** | - | **27,691,260** | - |
| | **38,384,711** | - | **27,691,260** | - |

During the year the Parent Entity acquired a 35% interest in Marmapa Iron Ore Limited. The purchase consideration was satisfied through the issue of 61 million shares in Cape Lambert Iron Ore Limited. In addition, the Company has, as part of the purchase agreement, agreed to fund a feasibility study of the project. The agreement stipulates that the Company will provide feasibility study funding of US$25 million but may, in its sole discretion and at any time, determine that it is not worthwhile to continue with the feasibility study. If such a decision is made, the Company shall be entitled to obtain a pro-rata proportion of its 35% interest, assuming it would be entitled to the full 35% upon extending the full US $ 25 million. The agreement required an initial feasibility study payment of US$ 5,000,000 to be made on acquisition.

The agreement also included an option, at the hands of the Company, to acquire the remaining equity interest in Marmapa Iron Ore Limited for US$200 million after deducting US$25 million, being the feasibility study contributions, and the value placed on the shares issued by the Company, being US$16.6 million. This option has been assigned a $nil value.

On 29 June 2009, through its acquisition of 100% of the shares in Mineral Securities Limited, the Consolidated Entity acquired a 46% interest in Herencia Resources Plc (AIM code: HER).

The carrying amounts of the investments in associates were assessed for impairment at 30 June 2009. An impairment loss was recognised against the investment in Herencia Resources Plc, representing the decline in its fair market value between acquisition date and balance date. There has been no impairment to the investment in Marampa Iron Ore Limited.

The carrying amounts at 30 Jun 2009 are comprised as follows:

| | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Issue of 61,000,000 shares in the Parent Entity | **20,770,000** | - | **20,770,000** | - |
| Feasibility study funding provided | **6,921,260** | **-** | **6,921,260** | **-** |
| Fair value of shares acquired as part of a business combination (see note 24) | **11,547,782** | **-** | **-** | **-** |
| Impairment loss | **(854,331)** | **-** | **-** | **-** |
| **Shares in associates at cost** | **38,384,711** | - | **27,691,260** | - |
| Shares of associates profits / (losses) | **-** | - | | |
| Shares in associates accounted for using the equity method | **38,384,711** | - | | |

## 26. Subsidiaries

| | | Ownership Interest | |
|---|---|---|---|
| **Name of Entity** | **Country of Incorporation** | **2009 %** | **2008 %** |
| **Parent entity** | | | |
| Cape Lambert Iron Ore Limited | Australia | - | - |
| **Subsidiaries** | | | |
| International Goldfields (Romania) Pty Ltd | Australia | 100% | 100% |
| Dempsey Resources Pty Ltd | Australia | 100% | 100% |
| Evanston Resources Pty Ltd | Australia | 100% | 100% |
| Mt Anketell Pty Ltd | Australia | 100% | 100% |

**26. Subsidiaries *(continued)***

| | | Ownership Interest | |
|---|---|---|---|
| **Name of Entity** | **Country of Incorporation** | **2009 %** | **2008 %** |
| Cape Lambert Lady Annie Exploration Pty Ltd | Australia | 100% | - |
| Cape Lambert Minsec Pty Ltd | Australia | 100% | - |
| Mineral Securities Limited | British Virgin Islands | 100% | - |
| Minsec Investments (BVI) Limited | British Virgin Islands | 100% | - |
| Mineral Securities (UK) Ltd | UK | 100% | - |
| Andalucla Mineral Services Limited | UK | 100% | - |
| MS Corporate Director Limited | UK | 100% | - |
| MS Corporate Secretary Limited | UK | 100% | - |
| Scarborough Minerals (Australia) Pty Ltd | Australia | 100% | - |
| Scarborough Minerals (Finance) Ltd | UK | 100% | - |
| Scarborough Minerals Overseas Holdings Ltd | UK | 100% | - |
| Scarborough Minerals International BV | Netherlands | 100% | - |
| Greenwich Reources (CR) | Czech Republic | 100% | - |
| Kyprou Gold Limited | UK | 100% | - |
| Thrace Minerals Exploration & Mining SA | Greece | 100% | - |
| Thrace Investments BV | Netherlands | 100% | - |
| Scarborough NL | Australia | 100% | - |
| Sierra Minerals Limited | UK | 100% | - |
| Sierra Exploration SA | Chile | 100% | - |
| Danae Resources Pty Ltd | Australia | 100% | - |
| Manor Resources NL | Australia | 100% | - |
| Multiplex Development Zarmitan Limited | UK | 100% | - |
| Buka Minerals Pty Ltd | Australia | 100% | - |
| Buka Technologies Pty Ltd | Australia | 100% | - |
| Kadina Pty Ltd | Australia | 100% | - |
| Buka Minerals (Lady Loretta No.2) Pty Ltd | Australia | 100% | - |
| Minsec Investment Holdings (BVI) Limited | British Virgin Islands | 100% | - |
| Mineral Securities Investments (Australia) Pty Ltd | Australia | 100% | - |
| Mineral Securities Operations Limited | Australia | 100% | - |
| Copperwell Pty Ltd | Australia | 100% | - |
| CopperCo Minerals Pty Ltd | Australia | 100% | - |
| Millennium Minerals Operations Pty Ltd | Australia | 100% | - |
| Allied Mining Pty Ltd | Australia | 100% | - |
| Australian Ferroalloys Pty Ltd | Australia | 100% | - |

**26. Subsidiaries *(continued)***

| | | Ownership Interest | |
|---|---|---|---|
| **Name of Entity** | **Country of Incorporation** | **2009 %** | **2008 %** |
| Goodwest Investments Pty Ltd | Australia | 100% | - |
| Cuesta Resources (BVI) Limited | British Virgin Islands | 100% | - |
| Algarrobo Holdings (BVI) Limited | British Virgin Islands | 100% | - |
| Australis Exploration Pty Ltd | Australia | 100% | - |
| Mineral Securities (China) Pty Ltd | Australia | 100% | - |
| Mineral Securities (NK) Pty Ltd | Australia | 100% | - |
| Mineral Securities Hong Kong (NK) Limited | Hong Kong | 88% | - |
| Platmin Holdings Pty Ltd | Australia | 100% | - |
| Mineral Securities (SA) P/L | South Africa | 83.3% | - |

On 29 June 2009, Cape Lambert Minsec Pty Ltd acquired 100% of the issued share capital of Mineral Securities Limited. Refer to note 24 for further details.

**27. Segment Information**

The group has four geographic segments, being Australia, United Kingdom, Greece and Romania and one business segment, mineral investment and exploration, with substantially all of the Consolidated Entity's resources being deployed for this purpose.

**Geographical Segment Revenue**

| | Revenue from Ordinary Activities | |
|---|---|---|
| | **2009 $** | **2008 $** |
| Australia | 256,550,539 | 2,770,254 |
| United Kingdom | - | - |
| Greece | - | - |
| Romania | 1,923 | 2,286 |
| Consolidated | 256,552,462 | 2,772,540 |

**Geographical Segment Result**

| | **2009 $** | **2008 $** |
|---|---|---|
| Australia | **299,200,866** | (1,367,096) |
| United Kingdom | **(185,483)** | - |
| Greece | **-** | - |
| Romania | **1,471** | 24,300 |
| Profit/(loss) before income tax (expense) / benefit | **299,016,854** | (1,342,796) |
| Income tax (expense) / benefit | **(70,007,524)** | 3,522,268 |
| Profit for the year | **229,009,330** | 2,179,472 |

## 27. Segment Information *(continued)*

### Geographical Segment Assets and Liabilities

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| Australia | **367,381,080** | 81,506,958 | **119,192,569** | 5,617,484 |
| United Kingdom | **6,884,969** | - | **1,008,780** | - |
| Greece | **14,822,918** | - | **24,450** | - |
| Romania | **27,429** | 26,189 | **-** | 150 |
| Consolidated | **389,116,396** | 81,533,147 | **120,225,799** | 5,617,634 |

### Other Geographical Segment Information

| | Depreciation and amortisation of segment assets | | Impairment losses | | Acquisition of segment assets | |
|---|---|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Australia | **67,653** | 40,771 | **-** | - | **148,538,252** | 18,603,558 |
| United Kingdom | **-** | - | **-** | - | **253,194** | - |
| Greece | **-** | - | **-** | - | **14,687,084** | - |
| Romania | **532** | 642 | **-** | - | **-** | - |
| **Total** | **68,185** | 41,413 | **-** | - | **163,478,530** | 18,603,558 |

## 28. Related Party Disclosures

### (a) Equity Interests in Related Parties

**Equity Interests in Subsidiaries**

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 26 to the financial statements.

### (b) Key Management Personnel Remuneration

Details of key management personnel remuneration are disclosed in note 4 to the financial statements.

### (c) Key Management Personnel Equity Holders

***Fully paid ordinary shares of Cape Lambert Iron Ore Limited***

| **2009** | **Balance 01-Jul-08 Number** | **Balance Held on Appointment Number** | **Received on Exercise of Options Number** | **On Market Purchases Number** | **On Market Sales Number** | **Balance 30-Jun-09 Number** | **Balance Held Nominally Number** |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| A Sage | 20,604,250 | - | - | 6,335,511 | - | 26,939,761 | - |
| T Turner | 1,157,858 | - | - | 150,000 | (307,858) | 1,000,000 | - |
| B Maher | 738,000 | - | - | - | - | 738,000 | - |
| **Other Key Management Personnel** | | | | | | | |
| J Hamilton | - | - | - | - | - | - | - |
| K Bischoff | - | - | - | - | - | - | - |
| GV Ariti | 678,500 | - | | 121,500 | - | 800,000 | - |
| F Taylor | - | - | - | - | - | - | - |
| E von Puttkammer | - | 20,000 | - | - | - | 20,000 | - |
| | 23,178,608 | 20,000 | - | 6,607,011 | (307,858) | 29,497,761 | - |

Notes:

1. I Burston resigned on 15 August 2008. Mr Burston's shareholding at the time of his resignation was 1,750,000 shares (balance at 1 July 2008: 1,750,000 shares)
2. P Landau resigned on 17 June 2009. Mr Landau held nil shares at the time of his resignation (balance at 1 July 2008: nil)

**28. Related Party Disclosures *(continued)***

**(c) Key Management Personnel Equity Holders (continued)**

***Fully paid ordinary shares of Cape Lambert Iron Ore Limited***

| 2008 | Balance 01-Jul-07 Number | Balance Held on Appointment Number | Received on Exercise of Options Number | On Market Purchases Number | On Market Sales Number | Balance 30-Jun-08 Number | Balance Held Nominally Number |
|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | |
| A Sage | 13,630,075 | - | 10,874,175 | - | (3,900,000) | 20,604,250 | - |
| T Turner | 169,004 | - | 1,100,000 | - | (111,146) | 1,157,858 | - |
| I Burston | 500,000 | - | 1,250,000 | - | | 1,750,000 | - |
| B Maher | 65,000 | - | 839,000 | - | (166,000) | 738,000 | - |
| P Landau | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | |
| J Hamilton | - | - | 1,000,000 | | (1,000,000) | - | - |
| K Bischoff | - | - | - | 20,000 | (20,000) | - | - |
| GV Ariti | - | - | 2,000,000 | | (1,321,500) | 678,500 | - |
| | 14,364,079 | - | 17,063,175 | 20,000 | (6,518,646) | 24,928,608 | - |

***Share Options of Cape Lambert Iron Ore Limited***

| 2009 | Balance 01-Jul-08 No. | Granted as Remuneration No. | Balance on appoint-ment No. | Balance 30-Jun-09 No. | Balance Vested 30-Jun-09 No. | Vested but not Exercisable No. | Vested and Exercisable No. | Options Vested During Year No. |
|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | |
| A Sage | - | - | - | - | - | - | - | - |
| T Turner | - | - | - | - | - | - | - | - |
| B Maher | - | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | | |
| J Hamilton | - | 1,500,000 | - | 1,500,000 | 1,500,000 | - | 1,500,000 | 1,500,000 |
| K Bischoff | - | 1,500,000 | - | 1,500,000 | 1,500,000 | - | 1,500,000 | 1,500,000 |
| GV Ariti | - | 3,000,000 | - | 3,000,000 | 3,000,000 | - | 3,000,000 | 3,000,000 |
| F Taylor | - | - | - | - | - | - | - | - |
| E von Puttkammer | - | - | 350,000 | 350,000 | - | - | 350,000 | 350,000 |
| | - | 6,000,000 | 350,000 | 6,350,000 | 6,350,000 | - | 6,350,000 | 6,350,000 |

Notes:

1. I Burston resigned on 15 August 2008. Mr Burston's held 3,300,000 share options at the time of his resignation (balance held at 1 July 2008: 3,300,000)
2. P Landau resigned on 17 June 2009. Mr Landau held nil options at the time of his resignation (balance at 1 July 2008: nil)
3. For directors and executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.
4. F Taylor was appointed as Chief Financial Officer on 20 April 2009
5. E von Puttkammer was appointed as company secretary on 1 April 2009

**28. Related Party Disclosures *(continued)***

**(c) Key Management Personnel Equity Holders (continued)**

***Share Options of Cape Lambert Iron Ore Limited***

**2008**

| | Balance 01-Jul-07 No. | Granted as Remun-eration No. | Exercised No. | Net Other Change No. | Balance 30-Jun-08 No. | Balance Vested 30-Jun-08 No. | Vested but not Exerc-isable No. | Vested and Exercisable No. | Options Vested During Year No. |
|---|---|---|---|---|---|---|---|---|---|
| **Directors** | | | | | | | | | |
| A Sage | 14,460,000 | - | (10,874,175) | (3,585,825) (i) | - | - | - | - | - |
| T Turner | 1,100,000 | - | (1,100,000) | - | - | - | - | - | - |
| I Burston* | 10,000,000 | - | (1,250,000) | (5,450,000) (ii) | 3,300,000 | 3,300,000 | - | 3,300,000 | - |
| B Maher | 1,350,000 | - | (839,000) | (511,000) (iii) | - | - | - | - | - |
| P Landau | - | - | - | - | - | - | - | - | - |
| **Other Key Management Personnel** | | | | | | | | | |
| J Hamilton | - | 1,000,000 | (1,000,000) | - | - | - | - | - | - |
| K Bischoff | - | - | - | - | - | - | - | - | - |
| GV Ariti | - | 2,000,000 | (2,000,000) | - | - | - | - | - | - |
| | 26,910,000 | 3,000,000 | (17,063,175) | (9,546,825) | 3,300,000 | 3,300,000 | - | 3,300,000 | - |

Notes:
*I Burston resigned on 15 August 2008

(i) 3,585,825 options expired 31 December 2007.
(ii) 2,150,000 options expired on 31 December 2007 and 3,300,000 options expired on 30 June 2008.
(iii) 511,000 options sold on market on 13 May 2008.

Further details of the Cape Lambert Iron Ore Limited Employee Option Scheme and of share options granted during the financial year is contained in notes 4 and 5 to the financial statements.

During the year, Hewitt, Turner & Gelevitis, a company of which Timothy Turner is a director, provided accounting consultancy services for $19,298 (2008: $56,351).

**(d) Transactions with Other Related Parties**
Other related parties include subsidiaries. Amounts receivable and payable from these related parties are disclosed in notes 9 and 15 to the financial statements.

**(e) Parent Entity**
The ultimate Australian parent entity is Cape Lambert Iron Ore Limited.
Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

**29. Subsequent Events**

Subsequent to 30 June 2009, the Consolidated Entity entered into the following transactions:

- The $2 million convertible note issued by DMC Mining Limited during the 2009 financial year was converted into equity (20 million shares) on 3 July 2009. At the same time, 5,000,000 $0.15 options in DMC Mining Limited were exercised. This has resulted in Cape Lambert having an approximate 36% interest in DMC Mining Limited.
- The $2.3 million convertible note issued by Cauldron Energy Limited during the 2009 financial year was converted into equity (15.3 million shares) on 15 July 2009. 6,108,612 shares were issued on conversion. The remaining 9,224,721 shares are expected to be issued in October 2009. This will result in Cape Lambert having an approximate 19% interest in Cauldron Energy Limited.

## 29. Subsequent Events *(continued)*

- On 20 July 2009, the Consolidated Entity subscribed to a $1.5 million convertible note issued by Cauldron Energy Limited. The note bears interest at the rate of 10% per annum and contains a conversion option whereby the outstanding loan balance can be converted into equity at a conversion price which is the lower of $0.50 or the weighted average trading price of the company's ordinary securities as quoted on ASX over the last 20 days prior to conversion, less a discount of 15%, but not lower than $0.425. The repayment date is 31 July 2012 or such other date as is agreed to by both parties.
- In July 2009, the Consolidated Entity launched a take-over bid for Corvette Resources Limited. The bid closed on 11 September 2009 and has resulted in the Consolidated Entity having an interest of approximately 46% in Corvette Resources Limited. 12,822,591 Cape Lambert shares have been issued to satisfy the acceptances received. The Receiver and Manager of Copper Limited (In Liquidation) (Receivers and Managers appointed) accepted the take-over offer, thereby settling the amount owing to the Consolidated Entity as disclosed in note 7 of the financial statements.
- On 22 August 2009 the $28 million convertible note issued by Pinnacle Group Assets Limited was converted into equity.
- On 26 August 2009, Cape Lambert released an ASX announcement noting its appointment of Patersons Securities Limited as lead manager to facilitate the Initial Public Offering (IPO) of the Lady Annie copper asset in Queensland. The announcement specified that at minimum 5% interest in the "spun out" vehicle would be retained by Cape Lambert or its shareholders and confirmed the trade sale process was being continued with while the IPO opportunity was pursued further.
- On 26 August 2009, the consolidated entity subscribed to $2.4 million convertible note issued by Africa Uranium Limited. The note bears interest at the rate of 12% per annum and is repayable on 26 August 2011 or such later date as is agreed to by both parties. On conversion, the total number or ordinary securities to be issued for the full amount of the note and associated capitalised interest must equal 10% of the company's issued share capital at the date of conversion. In the event that the Consolidated Entity elects to convert less than the full amount of the note and associated capitalised interest, the number of ordinary shares to be issued shall be reduced on a pro-rata basis.
- On 27 August 2009, Cape Lambert released an ASX announcement noting it had entered into an agreement to acquire Mojo Minerals Limited in a scrip deal valued at $1.75 million.
- On 11 September 2009, the Consolidated Entity subscribed to a $2 million convertible note issued by Victory West Molly Limited. The note bears interest at the rate of 12% per annum and contains a conversion option whereby the outstanding loan balance can be converted into equity at a conversion price which is the higher of $0.30 or the weighted average trading price of the company's ordinary securities as quoted on ASX over the last 5 days prior to conversion. The repayment date is 11 September 2011 or such other date as is agreed to by both parties.

Other than the above, no event has arisen since 30 June 2009 that would be likely to materially affect the operations of the Consolidated Entity, or its state of affairs which have not otherwise been disclosed in this financial report.

|  | **Consolidated** |  | **Parent Entity** |  |
|---|---|---|---|---|
|  | **2009** | **2008** | **2009** | **2008** |
|  | **$** | **$** | **$** | **$** |

## 30. Notes 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 and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

|  | Consolidated 2009 $ | Consolidated 2008 $ | Parent Entity 2009 $ | Parent Entity 2008 $ |
|---|---|---|---|---|
| Cash and cash equivalents | **74,058,703** | 16,137,185 | **56,223,665** | 16,007,468 |

## 30. Notes to the Cash Flow Statement *(continued)*

### (b) Reconciliation of Net Profit/(loss) to Net Cash Flows from Operating Activities

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| Profit from ordinary activities | **229,009,330** | 2,179,472 | **133,495,173** | 12,818,488 |
| Adjusted for non cash items: | | | | |
| Gain on sale of equity securities | **(1,329,109)** | (433,745) | **(1,329,109)** | (433,745) |
| Gain on sale of tenements | **(232,667,721)** | - | **-** | - |
| (Gain) / loss on fair value of financial assets through profit & loss | **(252,055)** | (796,577) | **2,738,799** | (796,577) |
| Discount on acquisition of secured debt | **(2,563,283)** | - | **-** | - |
| Interest on loan facilities provided (see note 24) | **(3,161,649)** | - | **-** | - |
| Non cash element of interest income recognised using the effective interest rate method | **(767,335)** | - | **-** | - |
| Impairment of associates | **854,331** | - | **-** | - |
| Impairment of investment in controlled entities | **-** | - | **-** | 1,040,896 |
| Reversal of impairment of loan to controlled entity | **-** | - | **-** | (204,549) |
| Depreciation and amortisation of non-current assets | **68,185** | 41,413 | **66,561** | 40,152 |
| Equity settled share-based payment | **1,634,290** | 1,192,050 | **1,634,290** | 1,192,050 |
| Reclassification of non-refundable deposit – Ding sale to investing activities | **-** | (750,000) | **-** | (750,000) |
| Tax effect of capital raising costs on equity | **50,017** | 333,438 | **50,017** | 333,438 |
| Discount recognised on acquisition of business combination | **(55,385,237)** | - | **-** | - |
| Adjusted for dividends received from controlled entity which form part of investing activities | **-** | - | **(130,000,000)** | - |
| Changes in net assets and liabilities, net of effects from acquisition of business combination: | | | | |
| Increase/(decrease) in trade and other receivables | **(2,589,247)** | 936,502 | **(1,175,297)** | 942,865 |
| Increase in exploration and evaluation expenditure | **-** | (14,636,666) | **-** | (61,579) |
| Book value of plant and equipment disposed | **-** | 75,764 | **-** | 75,764 |
| Increase / (decrease) in deferred tax balances | **45,526,801** | (3,855,706) | **19,239,219** | (20,935,988) |
| Increase / (decrease) in trade and other payables | **4,774,835** | (967,495) | **(43,647,511)** | (985,735) |
| Increase / (decrease) in income tax payable | **24,430,705** | - | **24,430,705** | - |
| Net cash provided by / (used) in operating activities | **7,632,858** | (16,681,550) | **5,502,847** | (7,724,520) |

### (c) Non-Cash Activities

During the year the Company issued shares valued at $20,770,000 as part of the acquisition of a 35% interest in an associate. Refer to note 25 for further details.
The consideration paid on acquisition of the business combination on 29 June 2009 included a non cash component comprising the settlement of the secured debt purchased earlier in the year. Refer to note 24 for further details.

## 31. Financial Risk Management

The Consolidated Entity's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board and they provide written principles for overall risk management. The Consolidated Entity and parent entity hold the following financial instruments:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Financial assets:** | | | | |
| Cash and cash equivalents | **74,058,703** | 16,137,185 | **56,223,665** | 16,007,468 |
| Restricted cash | **16,469,963** | 170,903 | **1,871,946** | 147,491 |
| Trade and other receivables | **55,655,066** | 268,714 | **135,702,788** | 20,159,370 |
| Financial assets at fair value through profit or loss | **36,528,163** | 4,221,940 | **9,382,509** | 35,686,983 |
| | **182,711,895** | 20,798,742 | **203,180,908** | 72,001,312 |
| **Financial liabilities:** | | | | |
| Trade and other payables | **23,298,792** | 617,634 | **24,533221** | 1,620,932 |
| Borrowings | **18,861,934** | - | **-** | - |
| | **41,160,726** | 617,634 | **24,533221** | 1,620,932 |

### (a) Market Risk

(i) Foreign Currency Risk

On 29 June 2009 a wholly owned subsidiary, Cape Lambert Minsec Pty Ltd, acquired 100% of the issued capital of Mineral Securities Limited which resulted in the Consolidated Entity acquiring an interest in entities based in the United Kingdom and Greece. Foreign exchange risk will arise from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Consolidated Entity's functional currency. Management has set up a policy to monitor and measure this risk using sensitivity analysis and cash flow forecasting.

(ii) Cash Flow Interest Rate Risk

The Consolidated Entity's main interest rate risk arises from cash and cash equivalents. Cash and cash equivalents on deposit at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. At 30 June 2009 the Consolidated Entity had short term debt, the majority of which was settled in July 2009, resulting in minimal exposure to interest rate risk. The balance of the short term debt and all of the long term debt relates to finance lease liabilities which bear a fixed interest rate.

At the reporting date, the Consolidated Entity had the following variable rate cash and cash equivalents and restricted cash:

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| | $ | $ | $ | $ |
| **Financial assets:** | | | | |
| Cash and cash equivalents | **74,058,703** | 16,137,185 | **56,223,665** | 16,007,468 |
| Restricted cash | **16,469,963** | 170,903 | **1,871,946** | 147,491 |
| | **90,528,666** | 16,308,088 | **58,095,611** | 16,154,959 |
| Weighted average interest rate | **6.44%** | 7.33% | 6.63% | 7.34% |

Movement of 50 basis points on the interest rate would have increased/(decreased) the consolidated profit by $920,341 and the Parent Entity profit by $844,058.

## 31. Financial Risk Management (Continued)

(iii) Price Risk

The Consolidated Entity and Company are exposed to equity securities price risk. This arises from investments held by the Consolidated Entity and classified on the balance sheet as at fair value through profit or loss. Neither the Consolidated Entity nor the Company are exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Consolidated Entity diversifies its portfolio which is done in accordance with the limits set by the Consolidated Entity.

The majority of the Consolidated Entity's and Company's equity investments are publicly traded and are included in either the ASX 200 Index, the Alternative Investments Market (AIM) or the TSX Toronto Stock Exchange.

The table below summarises the impact of increases/decreases of these indexes on the Consolidated Entity and Company's post tax profit for the year and on equity. The analysis is based on the assumption that the equity indexes had increased/decreased by 10% (2008 – 10%) with all other variables held constant and all the Consolidated Entity's equity instruments moved according to the historical correlation with the index.

| **Consolidated** | **Impact on Post-Tax Profit/(Loss)** | | **Impact on Equity** | |
|---|---|---|---|---|
| **Index** | **2009 $** | **2008 $** | **2009 $** | **2008 $** |
| ASX 200 | **(19,982)** | 405,904 | **-** | **-** |
| AIM | **(81,744)** | - | **-** | **-** |
| TSX | **41,529** | - | **-** | **-** |

| **Parent Entity** | **Impact on Post-Tax Profit/(Loss)** | | **Impact on Equity** | |
|---|---|---|---|---|
| **Index** | **2009 $** | **2008 $** | **2009 $** | **2008 $** |
| ASX 200 | (273,880) | 405,904 | - | - |
| AIM | - | - | - | - |
| TSX | - | - | - | - |

### (b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and credit exposures to wholesale and retail customers and suppliers. The Consolidated Entity has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The credit risk on financial assets, excluding investments, of the Company, which have been recognised on the balance sheet, is the carrying amount, net of any provision for doubtful debts. The Company is not materially exposed to any individual overseas country or individual customer.

The consolidated entity is exposed to credit risk as a result of subscribing to loan notes and convertible loan notes issued by listed and unlisted entities. This credit risk is managed by obtaining adequate security over the loans, generally in the form of a fixed and floating charge over the assets of the borrower. Details of the loan notes and convertible loan notes to which the consolidated entity had subscribed during the year are listed in notes 7, 9 and 11.
Details of the conversion options exercised subsequent to year end are set out in note 29.

The credit quality of cash and cash equivalents can be assessed by reference to external credit ratings:

| | **Consolidated** | | **Parent Entity** | |
|---|---|---|---|---|
| | **2009 $** | **2008 $** | **2009 $** | **2008 $** |
| **Financial assets:** | | | | |
| Cash and cash equivalents and restricted cash | | | | |
| AAA | **90,528,666** | 16,308,088 | **58,095,611** | 16,154,959 |

## 31. Financial Risk Management (Continued)

### (c) Liquidity Risk

The Consolidated Entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

At the reporting date, the following financing arrangements were in place:
Short term loan facility from Macquarie Bank Limited – refer to note 17
Finance lease liabilities – refer to note 17

Maturities of Financial Liabilities

The table below analyses the Consolidated Entity's and Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Consolidated | | Parent Entity | |
|---|---|---|---|---|
| | **2009** | **2008** | **2009** | **2008** |
| | **$** | **$** | **$** | **$** |
| **Financial liabilities** | | | | |
| Trade and other payables | | | | |
| Less than 6 months | **7,236,221** | 617,634 | **3,823,806** | 614,835 |
| Less than 12 months | **15,811,175** | - | **-** | - |
| Borrowings | | | | |
| Less than 6 months | **14,786,009** | - | **-** | - |
| Less than 12 months | **1,084,851** | - | **-** | - |
| More than 12 months | **2,991,074** | - | **-** | - |

### (d) 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 and payables are assumed to approximate their fair values due to their short-term nature.

In accordance with a resolution of the Directors of Cape Lambert Iron Ore Limited, I state that:

1. In the opinion of the Directors:

   (a) the financial statements and notes of the Company and of the Consolidated Entity set out on pages 22 to 69 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2009.

Antony Sage
Director
Perth, 30 September 2009

PRICEWATERHOUSECOOPERS

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# Independent auditor's report to the members of Cape Lambert Iron Ore Limited

## Report on the financial report

We have audited the accompanying financial report of Cape Lambert Iron Ore Limited (the company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both Cape Lambert Iron Ore Limited and the Cape Lambert Iron Ore Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

# Independent auditor's report to the members of Cape Lambert Iron Ore Limited (continued)

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* .

*Auditor's opinion*

In our opinion:

(a) the financial report of Cape Lambert Iron Ore Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's opinion*

In our opinion, the Remuneration Report of Cape Lambert Iron Ore Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

NHenry

Nick Henry
Partner

Perth
30 September 2009

## Additional Stock Exchange Information

Cape Lambert Iron Ore Limited is a listed public company, incorporated in Australia.

The Company's registered and principal place of business is 18 Oxford Close Leederville, Western Australia 6007 Australia.

### Shareholding

The distribution of members and their holdings of equity securities in the Company as at 11 September 2009 was as follows:

| Category (size of holding) | Fully Paid Ordinary Shares |
|---|---|
| 1-1,000 | 305 |
| 1,001-5,000 | 1,563 |
| 5,001-10,000 | 1,254 |
| 10,001-100,000 | 2,425 |
| 100,001 and over | 316 |
| **Total** | **5,863** |

### Equity Securities

There are 5,863 shareholders, holding 523,797,213 quoted fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

There are 61,000,000 restricted equity securities held by 1 shareholder. The escrow period is 12 months commencing on allotment.

The number of ordinary shareholdings held in less than marketable parcels is 1,191.

### Options

The Company currently has the following unlisted options on issue:

Unlisted options exercisable at $0.432 on or before 30 June 2010

Unlisted options exercisable at $0.309 on or before 31 October 2010

### Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options do not carry a right to vote.

### Substantial Holders

The names of the substantial shareholders listed in the Company's register as at 11 September 2009 are as follows:

| | Fully paid ordinary shareholders | Number | % of held Issued Capital |
|---|---|---|---|
| 1 | African Minerals Limited | 61,000,000 | 11.65 |
| 2 | The Capital Group Companies Inc | 36,500,000 | 6.97 |
| 3 | Antony William Paul Sage | 26,939,761 | 5.14 |
| 4 | UniCredit Aton International Limited | 26,451,422 | 5.05 |

## Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 11 September 2009 are as follows:

| | Name | Number of Fully Paid Ordinary Shares Held | % held of Issued Capital |
|---|---|---|---|
| 1 | Marampa Iron Ore Limited | 61,000,000 | 11.65 |
| 2 | HSBC Custody Nominees (Australia) Limited | 47,963,940 | 9.16 |
| 3 | J P Morgan Nominees Australia Limited | 40,413,113 | 7.72 |
| 4 | ANZ Nominees Limited | 29,261,017 | 5.59 |
| 5 | Antony William Paul Sage | 26,689,761 | 5.10 |
| 6 | National Nominees Limited | 17,925,141 | 3.42 |
| 7 | HSBC Custody Nominees (Australia) Limited - GSCO ECA | 16,036,495 | 3.06 |
| 8 | HSBC Custody Nominees (Australia) Limited - A/C 3 | 15,700,658 | 3.00 |
| 9 | Sunny Team Limited | 15,307,262 | 2.92 |
| 10 | UBS Nominees Pty Ltd | 9,963,357 | 1.90 |
| 11 | Citicorp Nominees Pty Limited | 9,252,712 | 1.77 |
| 12 | Weresyd Proprietary Limited | 7,501,945 | 1.43 |
| 13 | Mr Russell Neil Creagh | 6,564,592 | 1.25 |
| 14 | Mighty River International Limited | 6,283,421 | 1.20 |
| 15 | HKT AU Pty Ltd | 5,714,309 | 1.09 |
| 16 | CS Fourth Nominees Pty Ltd | 2,996,088 | 0.57 |
| 17 | Matthew Parrish Pty Ltd | 2,587,680 | 0.49 |
| 18 | Ganbaru Pty Ltd | 2,220,000 | 0.42 |
| 19 | Mr Nicholas Charles Richards | 2,040,019 | 0.39 |
| 20 | Denman Investments Limited | 2,000,000 | 0.38 |
| | | 327,421,510 | 62.51 |

## Schedule of Mineral Tenements Held at Balance Sheet Date

| Tenement | Tenement name | Tenement | Tenement name |
|---|---|---|---|
| EPM7487 | Mt Kelly | EPM15126 | Burt JV |
| EPM9916 | Antil-Python | EPM17418 | Cloncurry East 2 |
| EPM11185 | Buka 01 | EPM14697 | Lady Agnes |
| EPM11586 | Buka 05 | EL26302 | GLASSHOUSE 1 |
| EPM11637 | Redie Creek | EL26303 | GLASSHOUSE 2 |
| EPM11649 | Buka 04 | EL26304 | GLASSHOUSE 3 |
| EPM11660 | Buka 06 | EL26305 | GLASSHOUSE 4 |
| EPM11661 | Buka 02 | EL26307 | GLASSHOUSE 5 |
| EPM11669 | Eastern Creek | EL26308 | GLASSHOUSE 6 |
| EPM11670 | Gun Creek | EL26309 | GLASSHOUSE 7 |
| EPM11672 | Torpedo Creek | EL26310 | GLASSHOUSE 8 |
| EPM11692 | Mt Birnie | EL26311 | GLASSHOUSE 9 |
| EPM11777 | Johnson Creek | EL26312 | GLASSHOUSE 10 |
| EPM11919 | Cameron River | EL26314 | GLASSHOUSE 11 |
| EPM11920 | Round Mount | EL26701 | GLASSHOUSE 12 |
| EPM12589 | Kennedy Gap | EL26702 | GLASSHOUSE 14 |
| EPM13176 | Valparaisa | EL26703 | GLASSHOUSE 13 |
| EPM13177 | Toby Creek | EL26928 | TOBERMORY |
| EPM13331 | Wilfred Creek | E47/1760 | Mt Anketell |
| EPM13739 | Buckley River | E47/1493-I | Cape Lambert South |
| EPM14112 | Cattle Creek | E70/2504 | Jubuk Project |
| EPM14149 | Desert Creek | | |
| EPM14259 | Buka 03 | | |
| EPM14384 | Lady Maggie | | |
| EPM14424 | Cartridge Creek | | |
| EPM14693 | Judenham Creek | | |