Cape Lambert Resources Ltd

ANNUAL REPORT 2011

Cape Lambert Resources Limited
AND ITS CONTROLLED ENTITIES

Progressive Global Mineral Investment Company with a strategic portfolio

» **Geographically diverse portfolio of mineral assets and interests**

» **Multiple commodities**

» **Pipeline of quality projects**

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Corporate Directory

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

Company Secretary
Mrs Claire Tolcon
(appointed 1 December 2010)

Stock Exchange Listing
Australian Stock Exchange
ASX code: CFE

Country of Incorporation
Australia

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Chairman's Letter

Dear Shareholders,

The 2010-2011 financial year has been another successful and eventful year for Cape Lambert Resources Limited ("Company").

We have continued to follow our successful business strategy of acquiring and investing in assets that are distressed or undervalued with a view to monetise them at a multiple, whilst retaining exposure to the disposed asset through a production royalty and/or equity interest and distributing surplus cash to shareholders. The Company undertook a number of acquisitions and disposals in the past financial year, a direct return to shareholders of a $43.8million fully franked dividend in July 2010, and an indirect return to shareholders of $31.9million by way of an on-market share buy-back.

A key transaction was the 100% takeover of DMC Mining Ltd ("DMC") in August 2010, the holder of a then 80% interest in the Mayoko Iron Ore Project in the Republic of Congo for $32.4million, which was subsequently followed by the backdoor listing of DMC into African Iron Limited ("African Iron"). In consideration for the sale of DMC, the Company received $47million cash, 120 million African Iron Shares (equating to 25% of African Iron) and a production royalty of $1 per tonne of iron ore shipped from the Mayoko Iron Ore Project.

Another significant acquisition made by the Company throughout the financial year was the increase of its interest in Pinnacle Group Assets Limited ("Pinnacle") to 90% in June 2011, and subsequently to 100% in September 2011. Pinnacle owns the Kukuna Iron Ore Project located in Sierra Leone and the Sandenia Iron Ore Project located in the Republic of Guinea. The Company further increased its strategic portfolio of West African assets by identifying and applying for a land package prospective for iron ore known as the Rokel Iron Ore Project, located in Sierra Leone. This project covers the vast land corridor extending from the Company's Marampa to Kukuna projects'.

Further realisation of assets acquired as part of the CopperCo transaction was achieved by the Company disposing of its 25% interest in the Lady Loretta project for $30million, taking the cash generated from the sale of the CopperCo assets to $205million with a number of assets remaining as potential sale opportunities.

One of our main focuses has been on the exploration and development of the Marampa Iron Ore Project in Sierra Leone with a view to ultimately crystallising shareholder value through a trade sale to a strategic group capable of funding the development of the project or an initial public offering. The Company has defined a total Indicated and Inferred Mineral Resource of 680Mt at 28.2% Fe, representing an increase of 245% over the maiden Mineral Resource announced in November 2010. Our continued aim for the forthcoming financial year is to sell down our interest and to raise new money for project development for the benefit of shareholders and our Sierra Leonean stakeholders.

I encourage you to read the summary of the other key acquisitions, disposals and transactions throughout the 2010/2011 financial year which are set out in the review of operations section of this Annual Report.

I would like to thank you for your continued support and look forward to sharing another successful year with you.

Yours faithfully,

Tony Sage
Executive Chairman

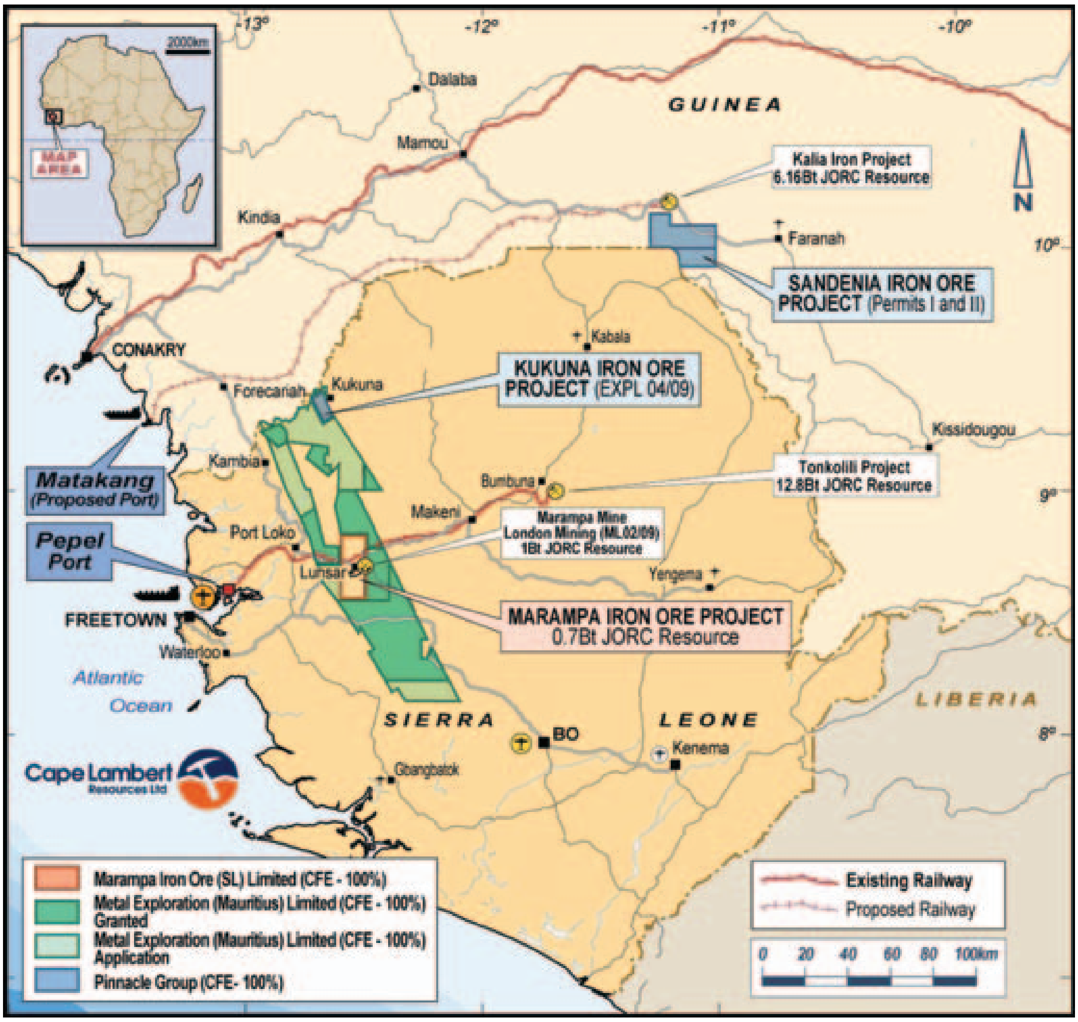
Marampa Iron Ore Project

Location and Overview

The Marampa Iron Ore Project ("**Marampa**" or "**Marampa Project**") is a brownfields hematite iron ore project at the feasibility assessment stage located 90km northeast of Freetown, Sierra Leone, West Africa (Figure 1: Location of Cape Lambert projects in West Africa). Marampa comprises a granted exploration licence (EL46/2011 – formerly EXPL09/06) covering 305km^2. The licence is held by Marampa Iron Ore (SL) Limited, a wholly owned subsidiary of the Company.

The Marampa Project is connected to the stockpiling and ship loading facility at Pepel Port via an existing 73km railway ("**Marampa Infrastructure**") and has an access to the infrastructure through an agreement with African Minerals Limited ("**African Minerals**"). African Minerals has a 99 year lease for the operation of, and is currently refurbishing, the Marampa Infrastructure. An agreement is also in place with African Minerals to export an additional 3Mtpa of concentrate though a new deep water port to be built at Tagrin, when this becomes operational. Discussions are underway with African Minerals to increase the total export to 10Mtpa.

FIGURE 1: LOCATION OF CAPE LAMBERT PROJECTS IN WEST AFRICA



Geology

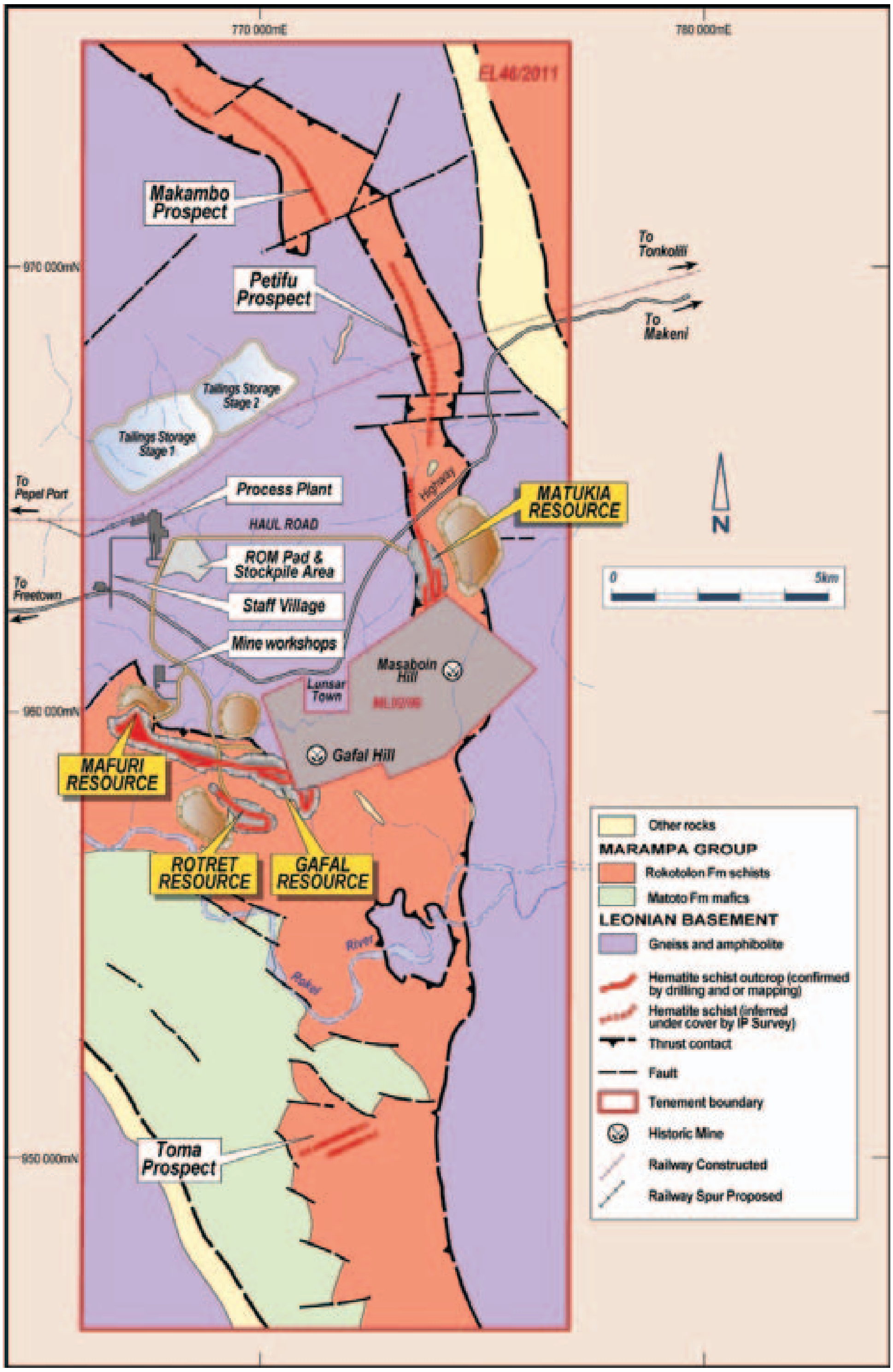
Iron ore mineralisation occurs at Marampa as units of hematite schist located within the metapelitic schists of the Rokotolon Formation of the Marampa Group (Figure 2: Hematite mineralisation at the Marampa Project). The Marampa Group stratigraphy is interpreted to unconformably overly Leonean Granite comprising granitoid and granitoid gneiss rocks. To date, seven major hematite schist deposits have been identified on the Licence (Figure 3: Geology of the Marampa Project), with individual bodies of mineralisation up to 100m thick and extending over strike lengths of several kilometres.

As at 31 July 2011, a total of 49,562 metres of diamond and reverse circulation drilling has been completed at Marampa comprising resource definition drilling at Matukia, Gafal West, Mafuri and Rotret, and initial drilling at the Petifu and Makambo prospects.

FIGURE 2: HEMATITE MINERALISATION AT THE MARAMPA PROJECT

Marampa Iron Ore Project (Continued)

FIGURE 3: GEOLOGY OF THE MARAMPA PROJECT



Mineral Resources

Based on resource drilling completed to 31 July 2011, independent consultant Golder Associates Pty Ltd have defined the total Mineral Resource for Marampa to be 680 million tonnes (Mt) (38% Indicated) at 28.2% Fe covering the Gafal, Matukia, Mafuri and Rotret deposits. A summary of the Mineral Resource estimate, at a 15% Fe cut-off grade, is shown in Table 1: Marampa Mineral Resource Estimate – July 2011.

TABLE 1: MARAMPA MINERAL RESOURCE ESTIMATE – JULY 2011

Deposit	JORC Category	Tonnes *(millions)*	Grade (%)					
			Fe	*SiO_2*	*Al_2O_3*	*P*	*S*	*L.O.I.*
Matukia	Indicated	76	30.2	40.5	4.9	0.14	0.00	3.1
	Inferred	98	30.6	39.9	5.1	0.13	0.00	3.2
	Total	**174**	**30.4**	**40.2**	**5.0**	**0.14**	**0.00**	**3.2**
Gafal (West & South)	Indicated	55	29.6	41.5	5.1	0.13	0.00	3.0
	Inferred	195	26.2	47.0	6.7	0.19	0.00	2.2
	Total	**250**	**27.0**	**45.8**	**6.3**	**0.18**	**0.00**	**2.4**
Mafuri	Indicated	130	27.5	45.0	5.8	0.15	0.00	2.3
	Inferred	59	27.4	45.2	7.8	0.10	0.01	2.9
	Total	**189**	**27.5**	**45.1**	**6.4**	**0.14**	**0.00**	**2.5**
Rotret	Inferred	**67**	**29.2**	**44.1**	**6.3**	**0.14**	**0.01**	**2.4**
Total Indicated		261	28.7	43.0	5.4	0.14	0.00	2.7
Total Inferred		419	27.9	44.6	6.4	0.16	0.01	2.6
Total		**680**	**28.2**	**44.0**	**6.0**	**0.15**	**0.00**	**2.6**

All Mineral Resources have only been estimated to a maximum depth of -200mRL (approximately 200 to 250m below surface), meaning that there is potential up-side to the resource quantity at depth. Further resource potential also exists along strike to the north at Matukia and west of Mafuri.

In addition to the Mineral Resources at the Matukia, Gafal, Mafuri and Rotret deposits there are an additional three known prospects on the Licence, namely Petifu, Makambo and Toma (Figure 3: Geology of the Marampa Project), which have a combined Exploration Target[1] of between 91Mt and 175Mt at approximately 20-35% Fe.

1 The estimates of exploration target sizes mentioned in this report should not be misunderstood or misconstrued as estimates of Mineral Resources. The estimate of exploration target sizes are conceptual in nature and there has been insufficient exploration completed to date to determine the quantity and grade, or to estimate a Mineral Resource in accordance with the JORC Code (2004) guidelines. Further, it is uncertain if future exploration will result in the determination of a Mineral Resource.

Marampa Iron Ore Project (Continued)

Technical Work Completed

In January 2011, the Company completed a Scoping Study that examined a standalone, open pit mining development at Marampa producing 5Mtpa of hematite concentrate. This study was based on the maiden Mineral Resources (197Mt at 28.5% Fe) defined at the Gafal West and Matukia deposits only. The Scoping Study concluded that a financially robust operation could be established at Marampa based on the known resources at that time.

Based on these positive results, in the March 2011 quarter, the Company commenced further detailed technical and environmental work to optimise the design criteria and operating and capital costs required to increase the scale of the Marampa Project to 10Mtpa of ~65% Fe hematite concentrate production.

An Updated Scoping Study completed by Bateman Engineering Pty Ltd ("**Bateman**"), with contributions from several specialist consultants, was delivered in September 2011 and was based on the updated mineral resource inventory defined at the Gafal, Matukia, Mafuri and Rotret deposits (680Mt at 28.2% Fe).

The Updated Scoping Study confirmed iron recoveries of ≥90% are achievable when producing a high grade iron concentrate with typically ~65%Fe grade and low levels of contaminants. This study was based on a staged project development approach with Stage 1 production planned at 2.5Mtpa and Stage 2 expanding production to 10Mtpa within 18 months, resulting in a 22 year mine life. The Stage 1 capital investment was estimated at US$458M whilst the Stage 2 expansion was estimated at US$1,051M. The Stage 1 operating costs were estimated at US$45 per tonne of concentrate, free on board (FOB), with an average life of mine operating cost of US$52 per tonne FOB.

Metallurgy

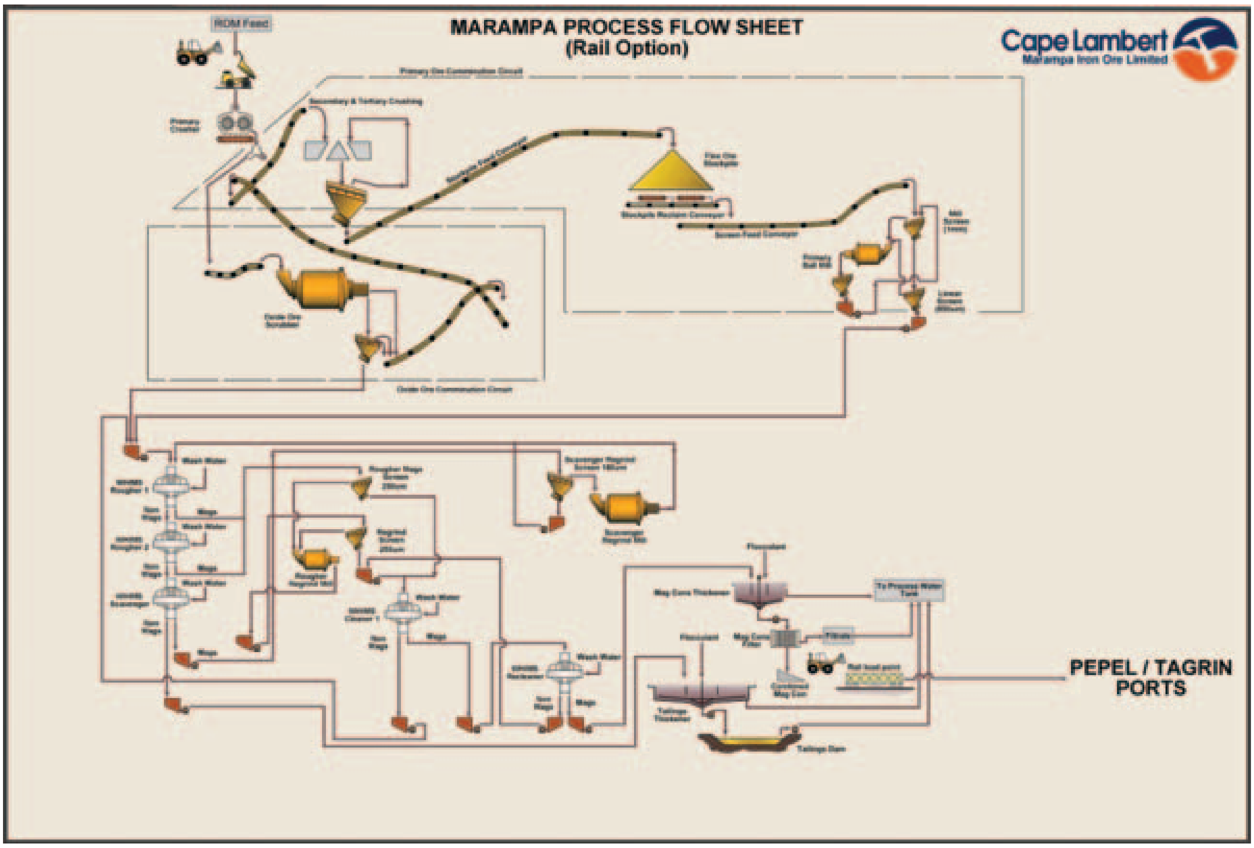
A metallurgical test work programme, as part of the Updated Scoping Study, was managed by Bateman with beneficiation testwork on both fresh and oxide mineralisation.

Metallurgical testwork confirmed that high quality saleable iron concentrates of approximately 65% Fe, with low levels of deleterious elements can be produced from Marampa ores. The testwork has also demonstrated that iron recoveries of 90 to 97% are achievable. Near surface oxide ore will only require primary liberation by wet rotary scrubbing, and screening of the scrubber oversize at 850Qm prior to beneficiation.

The more competent fresh and laterite ore types will require primary liberation by conventional crushing to a P80 size of approximately 10mm followed by ball milling in closed circuit with a screen at 850Qm prior to beneficiation.

Following the appropriate comminution steps, all ore types will be processed via five sequential stages of wet, high-intensity magnetic separation (WHIMS) with some intermediate grinding of concentrate streams. The final product P80 size is a relatively coarse at approximately 180Qm. A schematic process flowsheet is shown in Figure 4: Schematic Process Flowsheet.

FIGURE 4: SCHEMATIC PROCESS FLOWSHEET



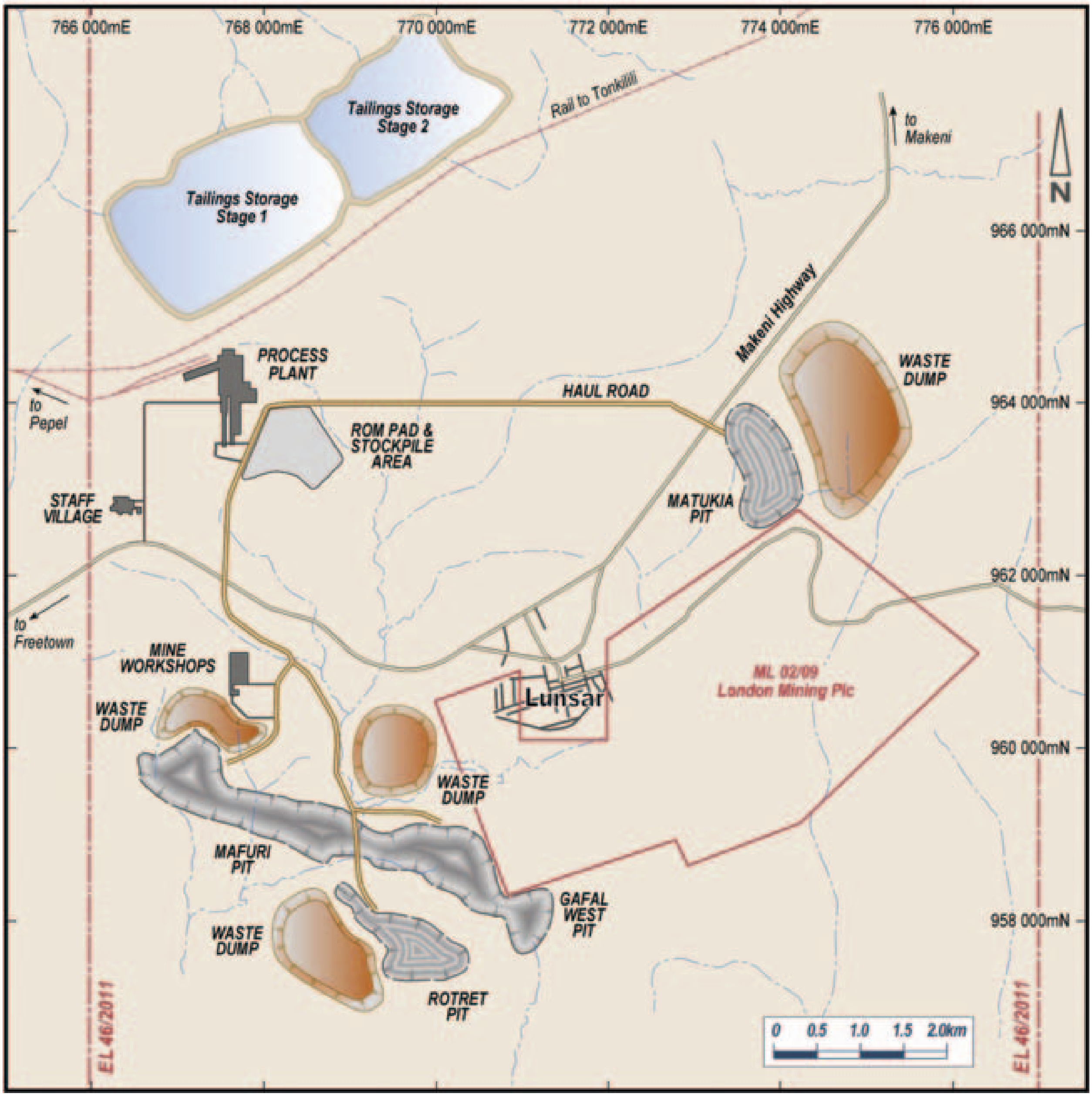
The Updated Scoping Study completed by Bateman proposes the process plant will be constructed in two stages, with Stage 2 to be built immediately after Stage 1 is in production. Stage 1 is designed for the more easily processed oxide ore and will have a production capacity of 2.5Mtpa of product (although some sections of the circuit are sized for 5Mtpa of product, namely the; primary crusher, thickeners, filtration, and product stockpiles).

Stage 2 will include an expanded oxide processing circuit and comminution circuits to treat fresh (and laterite) ore. Stage 2 will increase the total production capacity to 10 Mtpa of concentrate.

A general layout of the Marampa Project is shown in Figure 5: Marampa Project Layout.

Marampa Iron Ore Project (Continued)

FIGURE 5: MARAMPA PROJECT LAYOUT



Pinnacle

The assets of Pinnacle include the Kukuna Iron Ore Project located in Sierra Leone ("**Kukuna Project**" or "**Kukuna**") and the Sandenia Iron Ore Project located in the Republic of Guinea ("**Sandenia Project**" or "**Sandenia**").

Kukuna

The Kukuna Project is located 120km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km^2 (Figure 1: Location of Cape Lambert projects in West Africa). The licence is located 70km due north of the Marampa Project.

The Kukuna licence contains rocks correlated with the Marampa Group stratigraphy, which host the specular hematite schist iron mineralisation, similar to that at Marampa. The licence is extensively covered by laterite, alluvium and vegetation. Initial exploration comprising geological mapping, trenching and ground IP geophysical surveys have been completed and have defined several drill targets that are under cover. Follow-up trenching and scout diamond drilling to test these targets commenced in July 2011.

The objective of exploration at Kukuna is to discover and define sufficient hematite schist mineralisation to support a standalone mining operation similar to the deposits defined at the Marampa to the south.

To the end of September 2011, 34 holes (7,952m) had been completed. This first phase of drilling has identified significant intercepts of hematite schist with the first assays expected by December 2011.

Sandenia

The Sandenia Project is located 290km east northeast of Conakry in the central south of the Republic of Guinea and comprises two exploration permits covering 608km^2 (Figure 1: Location of Cape Lambert projects in West Africa). The Sandenia permits contain rocks of Archean age that are prospective for iron mineralisation, which are similar to the host rocks that contain the 6.16Bt Kalia deposit owned by Bellzone Mining plc located on the adjacent permit to the north.

Regional mapping and sampling completed by SRK Consulting (Australasia) Limited early in 2011 identified seven exploration targets over an aggregate strike length of >20km containing weathered and fresh magnetite Banded Iron Formation and confirmed in-situ iron grades of up to 48.5%.

Detailed prospect mapping was completed on the priority targets at Sandenia and Sandenia East during June 2011 to define drill targets. This mapping confirmed the presence of magnetite bearing lithologies including magnetite quartzite and magnetite amphibolite ultramafic rocks. Subtropical weathering has resulted in the formation of iron-rich laterites overlying the mineralised units, which in some places form lateritic plateaus that will be investigated for potential direct shipping iron ore .

Rokel Iron Ore Project

Metal Exploration (Mauritius) Limited, a wholly owned subsidiary of Cape Lambert, holds a land package of granted licences and applications in Sierra Leone totalling approximately 3,000km^2, covering the region 70km to the north and south of Marampa (Figure 1: Location of Cape Lambert projects in West Africa). This land package is referred to as the Rokel Iron Ore Project ("**Rokel**" or "**Rokel Project**") and is prospective for the discovery of hematite schist deposits similar to those at the Marampa Project.

Three historical occurrences of specular hematite schist have been recorded on the Rokel Project approximately 30-40km to the northwest and northeast of Lunsar, and another 8km northeast of Lunsar (referred to as the Kumrabai prospect).

A high resolution magnetic and radiometric airborne survey was completed over the Rokel Project tenements during June 2011. The survey totalled 17,040 line kilometres on 200m line spacings. Interpretation and target generation for Marampa type iron ore deposits and other anomalies is ongoing.

Interpretation of the ground Induced Polarisation geophysical survey data collected in the March 2011 quarter over the Kumrabai prospect east of Marampa was completed. This identified four linear, high intensity, coincident conductive/chargeable anomalies over an 8km zone striking to the north. Occurrences of specular hematite clasts in laterite cover were also noted along this zone during the geophysical survey. The IP anomalies possibly represent one or two units of hematite schist located under surficial laterite cover.

Regional geological mapping and sampling of the known occurrences, including the Kumrabai anomalies will be undertaken during 2011/12.

Sappes Gold Project

The Sappes Gold Project ("**Sappes**" or "**Sappes Project**") is a gold development project located in north eastern Greece approximately 30km northwest of the Aegean Sea port city of Alexandropoulos, on a 20.1km^2 mining licence granted until 2023. Sappes is currently the subject of an agreement for its sale to Glory Resources Limited for a total consideration of A$46.5 million which is expect to complete before the end of 2011 (see ASX Announcement on 18 August 2011).

The Sappes deposits are typical high-sulphidation epithermal gold deposits that also contain silver and copper. They are hosted by a sequence of tertiary calc-alkaline volcanics, volcaniclastics and sedimentary rocks that have been subjected to intense hydrothermal silica and clay alteration associated with the gold mineralisation. The Viper, St Demetrios and Scarp gold deposits and their host rocks are disrupted by a number of fault zones.

The audited Measured and Indicated Mineral Resources for the Sappes Project are summarised in Table 2: Sappes Mineral Resource Estimate – September 2010.

TABLE 2: SAPPES MINERAL RESOURCE ESTIMATE – SEPTEMBER 2010

Deposit	Category	Cut-Off Grade	Tonnes	Grades			Ounces of Gold
				Au (g/t)	Ag (g/t)	Cu (%)	
Viper	Measured	4.0	710,000	22.2	11.5	0.40	507,000
St Demetrios	Measured	1.0	730,000	3.5	3.2		82,000
Scarp	Measured	1.0	820,000	2.2	1.5		58,000
	Sub-Total		2,260,000	8.9	5.2	0.20	647,000
Viper	Indicated	4.0	280,000	19.5	9.0	0.35	176,000
St Demetrios	Indicated	1.0	50,000	2.6	2.8		4,000
Scarp	Indicated	1.0	50,000	1.7	1.1		3,000
	sub-total		380,000	14.9	7.1	0.30	183,000
Rounded	**Total**		**2,640,000**	**9.8**	**5.5**	**0.1**	**830,000**

The development of Sappes is based around the high-grade, underground Viper deposit and an open pit at the nearby St Demetrios deposit. The Viper deposit is planned to be developed utilising decline access with truck haulage of ore to the process plant on surface. Mining will be fully mechanised and trackless equipment, utilising Drift and Fill stoping with cemented tailings hydraulic backfill.

The lower grade St. Demetrios deposit is planned to be mined by a shallow open-pit to provide supplementary mill feed, to smooth out the overall production rate to 200,000 tpa and to ensure that the mill is utilised to its full capacity. The actual production rate will be flexible to dovetail with the supply of ore from the underground mine.

Leichhardt Project

The Leichhardt Project, which is currently on care and maintenance is located approximately 100km northeast of Mt Isa in the highly prospective Eastern Succession of the Mt Isa Inlier and comprises:

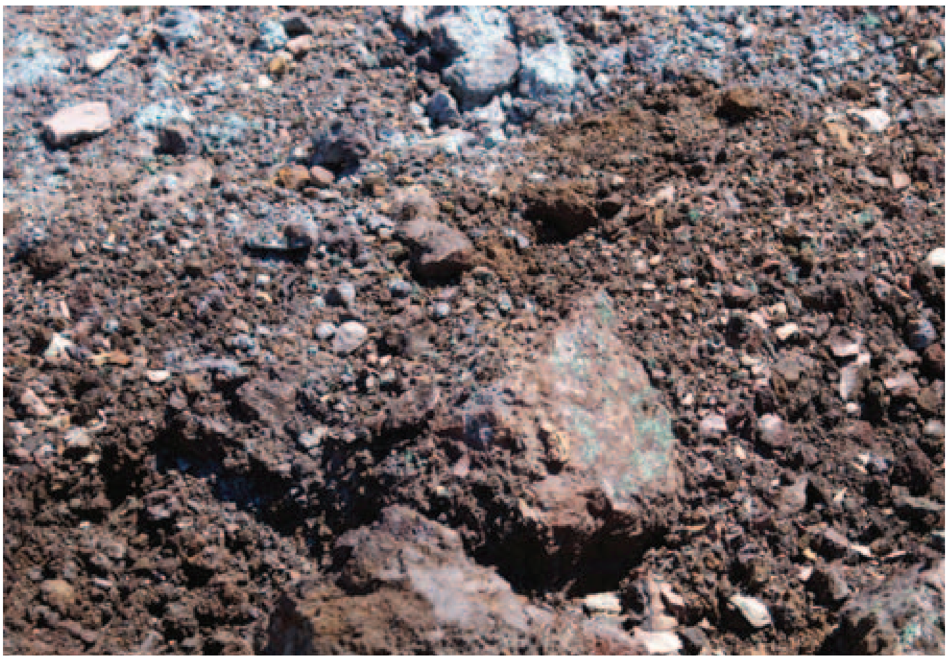
- the Leichardt process plant at Mt Cuthbert; a heap leach, solvent extraction and electrowinning facility with installed capacity of 9,000 tonnes per annum of copper cathode;
- a package of 43 granted tenements (approximately 850km^2) and 11 applications for Exploration Permits (500km^2);
- the established Mt Watson open pit located approximately 27km north of the Leichhardt process plant (Figure 6: Copper mineralisation at Mt Watson); and
- a Mineral Resource inventory of oxide, transition and primary copper at the Leichhardt, Mighty Atom, Hidden Treasure, Ned Kelly and Mt Cuthbert deposits, and several targets including Mt Wonder, Mt Earl and Prospector that are prospective for oxide and primary copper deposits.

Technical Work Completed

A programme of drilling and metallurgical test work commenced in early 2011 to investigate the leachability of the in-situ transitional material at the Mt Watson open pit.

Metallurgical diamond drilling of the transitional copper resource within the Mt Watson West Pit (6 holes for 471.6m) was completed during April 2011. This drilling provided sufficient material to conduct column leach testwork with the diamond core samples currently being tested by HRL Testing Pty Ltd in Brisbane. The work programme underway includes head assay, physical property testing and bottle roll and column leach tests for evaluation of heap leach characteristics and copper recovery.

FIGURE 6: COPPER MINERALISATION AT MT WATSON



Regional Exploration

Commencing in March 2011, the Company continued work to identify, prioritise and test prospects and targets to increase the oxide and primary copper mineral inventories at the Leichhardt Project. A high resolution airborne geophysical survey was flown over the entire project area in July 2011 and interpretation and target generation is ongoing.

Further exploration commenced at two priority targets identified at Mt Wonder and Prospector.

The Mt Wonder prospect is located 17km north of Mt Watson. Scout exploration drilling in 2005 intersected encouraging copper oxide mineralisation within the lower siltstone members of the Surprise Creek Formation, which is in a similar position to the Mt Watson copper oxide deposit.

A programme of soil geochemical sampling was completed in June 2011 over Mt Wonder to define the extent of the copper mineralisation. A total of 229 soil samples were collected on a 50m grid. This survey has defined a northwest trending copper-in-soil anomaly (>150ppm Cu, peak 4,850ppm Cu) over an area of 1,000m by 250m within the Surprise Creek Formation. Follow-up mapping has commenced and a sub-audio magnetic ground geophysical survey was completed to define priority drill targets. This survey was successful by defining resource extension targets at Mt Watson. Further geological interpretation is being carried out prior to drill testing.

The Prospector prospect is located 38km south of Mt Cuthbert and comprises a series of copper in soil geochemical anomalies and nine airborne time-domain electromagnetic ("**VTEM**") anomalies, which have been only partially tested. Work to further define drill targets including VTEM modelling and geological mapping has commenced.

Australis Project

Australis holds a portfolio of mineral rights, tenements and subsidiaries, which presently comprise:

- the exclusive rights to explore for and retain any value associated with rock phosphate on the tenements held by CST Minerals Lady Annie Pty Ltd ("**CSTLA**") ("**Lady Annie Phosphate Rights**");
- 10 granted Exploration Licences totalling 7,018km^2 in the east of the Northern Territory, prospective for rock phosphate;
- 4 granted Exploration Licenses totalling 2,500km^2 and 11 applications for Exploration Permits totalling 5,191km^2 in north west Queensland, prospective for rock phosphate; and
- 100% of Mojo Mining Pty Ltd, which holds 15 granted Exploration Permits ("**Mojo Project"** or "**Mojo**") totalling 2,434km^2, located 150km south of Mt Isa, prospective for large Mt Isa style base metal deposits under younger cover rocks.

Compilation and interpretation of available historical data has outlined five grassroots rock phosphate targets on the Northern Territory licences. These lie along the northern margin of the Georgina Basin and on a basement high, approximately 50km to the north of the Wonarah rock phosphate project owned by Minemakers Limited. Field reconnaissance of these targets has been delayed due to the extended rainy season and is planned to be undertaken during October 2011.

The Mojo Project licences cover the projected southern extension of the Mt Isa Inlier under younger cover rocks. A geophysical assessment completed in 2010 defined 3 main target areas where the depth to the prospective Mt Isa Inlier basement is approximately 200-500m. A high resolution ground gravity geophysical survey to more accurately delineate the depth to basement was completed in September 2011. The data is currently being interpreted prior to drill testing of priority targets in 2012.

Cape Lambert Resources Ltd is an Australian based exploration and development company with interests in a geographically diverse portfolio of mineral assets and investments in several exploration and mining companies.

Competent Person Statement

The information in this Annual Report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information reviewed and compiled by Mr. Kim Bischoff, who is a Member of the Australian Institute of Geosciences. Mr. Bischoff is a contractor to Cape Lambert Resources Limited and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr. Bischoff consents to the inclusion in the Annual Report of the information in the form and context in which it appears.

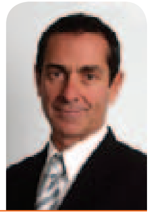
Your Directors submit the financial report of Cape Lambert Resources Limited ("Cape Lambert" or the "Company") and its controlled entities (collectively referred to as the "Cape Lambert Group" or the "Consolidated Entity") for the year ended 30 June 2011.

Directors

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Antony Sage
Timothy Turner
Brian Maher
Ross Levin



Antony William Paul Sage
Executive Chairman

Qualifications B.Com, FCPA, CA, FTIA

Experience Mr Sage has in excess of 25 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 15 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 Resources Limited). Mr Sage is also a Director of the following listed entities: International Petroleum Limited[1], African Petroleum Corporation Limited[1], International Goldfields Limited, Cauldron Energy Limited, Fe Limited, African Iron Limited and Chameleon Mining NL.

Brian Maher
Non-Executive Director

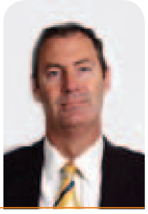
Qualifications B.E(Min.), FAusIMM, FIMM

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.

Mr Maher is not a director of any other ASX listed companies.

[1] Listed on the National Stock Exchange of Australia.



Timothy Paul Turner

Non-Executive Director

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

Experience As a senior partner with Accounting firm, Hewitt Turner & Gelevitis, Mr Turner specialises in domestic business structuring, corporate and trust tax planning and corporate secretarial services. He also has in excess of 25 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 and a Fellow of the Taxation Institute of Australia. Mr Turner is also a Director of the following listed entities: International Petroleum Limited[1], African Petroleum Corporation Limited[1] and Legacy Iron Ore Limited.

Ross Levin

Non-Executive Director

Qualifications Bachelor of Economics, Bachelor of Law and Graduate Diploma Labour Relations Law (Melbourne).

Experience Mr Levin holds degrees in both Law and Economics and has extensive experience with business sales and acquisitions, corporate restructuring and takeovers and is currently a senior partner in the commercial division of Rigby Cooke Lawyers, where he specialises in workplace relations in the mining, infrastructure and construction industries.

Mr Levin has Bachelor of Economics, a Bachelor of Law, a Graduate Diploma Labour Relations Law (Melbourne) and is a Trustee for CEDA (Committee for Economic Development of Australia)

Mr Levin is not a director of any other ASX listed companies.

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:

Antony Sage	International Petroleum Limited[1]	January 2006 to present
	African Petroleum Corporation Limited[1]	October 2007 to present
	International Goldfields Limited	February 2009 to present
	Cauldron Energy Limited	June 2009 to present
	Fe Limited	August 2009 to present
	Chameleon Mining NL	September 2010 to present
	African Iron Limited	January 2011 to present
Brian Maher	-	-
Timothy Turner	International Petroleum Limited[1]	January 2006 to present
	African Petroleum Corporation Limited[1]	November 2007 to present
	Legacy Iron Ore Limited	July 2008 to present
Ross Levin	-	-

[1] Listed on the National Stock Exchange of Australia.

Strong Track Record

- Strong track record of delivering shareholder value
- February 2011, on market buy-back complete, 54 million shares for A$32 million bought back
- July 2010, A$44 million fully franked special dividend
- October 2008, A$100 million capital/dividend payment
- October 2007, in specie distribution of Global Iron Limited (now African Petroleum Corporation Limited)
- May 2006, in specie distribution of International Goldfields (now International Petroleum Limited)

Principal Activity

The principal activity of the Cape Lambert Group during the year was mineral investment, exploration and evaluation.

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

Review of Operations

The year ended 30 June 2011 was another productive year for the Cape Lambert Group with a number of transactions completed to build on and enhance its multi commodity and geographically diverse portfolio of mineral assets and investments.

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

- Payment of a $43.8 million fully franked special dividend in July 2010.
- Formation of a strategic alliance with Chameleon Mining NL ("Chameleon") in August 2010. Cape Lambert advanced $6.5 million to Chameleon which served as a loan facility, and Cape Lambert participated to the extent of $2 million in a placement conducted by Chameleon. In March 2011, the $6.5 million advance was repaid to Cape Lambert as a consequence of a favourable outcome from Chameleon's appeal against International Litigation Partners Pte Ltd. The alliance with Chameleon exposes Cape Lambert Shareholders to a potential positive outcome from a pending Federal Court decision in relation to Murchison Metals Limited in respect of the ownership of the producing Jack Hills iron ore asset.
- The acquisition of the Leichhardt Copper Project located in the world class Mt Isa base metals province of North West Queensland completed in August 2010. Payment on completion amounted to $6.7 million which was in addition to a $1 million deposit paid in the prior year. The Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility has an installed production capacity of 9,000 tpa of copper cathode.
- The 100% acquisition of DMC Mining Ltd ("DMC Mining") pursuant to a takeover bid completed in August 2010. Cape Lambert paid $32.4 million to complete the acquisition.
- In February 2011, Cape Lambert completed an on market share buy-back which had commenced in October 2010. A total amount of $31.9 million was paid to buy back 54,059,653 ordinary shares. Shares that have been bought back by the Company have been cancelled.
- Cape Lambert continued with legal action against MCC Australia Sanjin Mining Pty Ltd, and its parent company Metallurgical Corporation of China Limited (collectively "MCC") to recover the final $80 million owing from the sale of the Cape Lambert magnetite iron ore project in mid-2008.
- Convertible notes totalling $5.7 million were repaid and convertible notes amounting to $2 million were subscribed for.

- In January 2011, Cape Lambert completed the sale of 100% of its interest in DMC Mining to African Iron Limited (“African Iron”). The Company received $47 million in cash and 120 million African Iron shares which equates to a 25% interest in African Iron. In addition, Cape Lambert will receive a production royalty of $1 per tonne of iron ore shipped.
- In February 2011, the Company disposed of its remaining stake in Speewah Metals Limited (“Speewah”) (previously NiPlats Australia Limited) generating cash of approximately $13.6 million.
- In March 2011, Cape Lambert completed the sale of its 25% interest in the Lady Loretta project located in northwest Queensland to Noranda Pacific Pty Ltd, a wholly owned subsidiary of Xstrata plc, for $30 million in cash.
- In March 2011, Cape Lambert acquired a further 12 million shares in Pinnacle Group Assets Limited (“Pinnacle”) for $13 million, which increased the Company’s interest in Pinnacle to 46.1%. In May 2011, the Company elected to convert funds advanced to Pinnacle into Pinnacle shares, resulting in its interest in Pinnacle increasing to 47.4%. In June 2011, Cape Lambert completed the acquisition of a further 42.8% interest in Pinnacle. Contemporaneous with the acquisition of the additional interest in Pinnacle, the board of Pinnacle was replaced with Cape Lambert nominees. The consideration paid at settlement for the additional 42.8% of Pinnacle comprised of 54,450,000 Cape Lambert shares and $16.3 million in cash. A further amount of $16.3 million is payable in cash on or before 31 December 2011.
- In June 2011, the Company entered into a $2 million standby facility agreement (“Facility”) with Fe Limited. Cape Lambert is a substantial shareholder in Fe Limited and currently holds a 19.9% interest. Pursuant to the terms of the Facility, Fe Limited will have access to $2 million, and any amounts drawn down will be payable in full 18 months from the date of execution of the Facility agreement. Interest is payable on the amounts drawn down under the facility at the cash rate plus 3%. Any funds received by Fe Limited from sales of assets or capital raisings must first be used to reduce funds drawn down under the facility. No amounts had been drawn down as at 30 June 2011.

During the year, the Board and management has put a strong focus on Company promotion and enhancing its exposure to Australian and International institutions and funds, with approximately 23% of the share register now held by these groups. Analyst coverage has also increased significantly, with a number of major broking houses in Australia and the United Kingdom initiating coverage.

The Board intends to continue to follow its strategy of acquiring and investing in undervalued mineral assets and companies, and adding value to these assets through a hands on approach to management, exploration and evaluation to enable the assets to be monetised at a multiple. As assets are monetised, the Board intends to follow a policy of distributing surplus cash to Shareholders.

Results

The Cape Lambert Group made a loss after income tax for the year ended 30 June 2011 of $11,846,271 (2010: profit of $72,248,076).

Events Subsequent to Balance Date

The following significant events and transactions have taken place subsequent to 30 June 2011:

- On 18 August 2011, the Company announced the signing of a binding heads of agreement with Glory Resources Limited (ASX: GLY) ("Glory Resources") for the sale of the Sappes Gold Project for a total consideration of $46.5 million ("Head of Agreement"). Pursuant to the terms of the Heads of Agreement, Glory Resources will satisfy the consideration with $32.5 million in cash on completion of the acquisition, 16,000,000 shares in Glory Resources on completion of the acquisition, $5 million in cash or Glory Resources Shares (at the election of the Company), on the granting of an operating permit (or equivalent) in respect of the Sappes Project, and $5 million in cash or Glory Resources Shares (at the election of the Company), upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper concentrate and/or silver metal) from the Sappes Project. The acquisition of the Sappes Project by Glory Resources is subject to a number of conditions including government approvals, Glory resources obtaining its shareholders' approval for the acquisition, Glory Resources re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing a capital raising of $42.5 million. All conditions must be satisfied or waived by 31 December 2011 with completion of the acquisition to take place 5 business days thereafter.
- On 13 September 2011, the Cape Lambert completed the acquisition of the remaining 9.8% in Pinnacle Group Assets Limited ("Pinnacle"). Consideration comprised $5 million in cash and the issue of 20,672,189 Cape Lambert shares.

Other than the above, no event has arisen since 30 June 2011 that would be likely to materially affect the operations of the Cape Lambert Group, 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 Cape Lambert Group other than those 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.

Dividend and Return of Capital

On 15 June 2010, Cape Lambert announced that it would pay a fully franked special dividend of 7 cents per share, payment of which was effected on 16 July 2010.

Environmental Regulations

The Cape Lambert Group 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.

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 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 insurance. 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

Ms Claire Tolcon was appointed on 1 December 2010 following the resignation of Ms Eloise von Puttkammer on that date.

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).

	Board of Directors	
Directors	Eligible to Attend	Attended
Antony Sage	4	4
Brian Maher	4	3
Timothy Turner	4	4
Ross Levin	4	3

The audit committee met once during the year and the meeting was attended by Timothy Turner and Ross Levin.

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	Share Options
Antony Sage	38,540,430	-
Brian Maher	1,015,000	-
Timothy Turner	1,500,000	800,000
Ross Levin	600,000	-
	40,655,430	800,000

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 Other Key Management Personnel

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

Details of Directors and Other Key Management Personnel

DIRECTORS
A Sage – Executive Chairman
T Turner – Non-Executive Director
B Maher – Non-Executive Director
R Levin - Non-Executive Director

OTHER KEY MANAGEMENT PERSONNEL
J Hamilton
K Bischoff
GV Ariti
F Taylor
E von Puttkammer
C Tolcon

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 appropriately skilled directors to run and manage the Company.

The Board's policy for determining the nature and amount of remuneration for Board members and other key management personnel 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 Cape Lambert Group is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented individuals, 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.

Options and performance incentives may also be issued as the Cape Lambert Group invests in projects which are subsequently successfully monetised, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance.

All remuneration paid to directors is valued at the cost to the Company and expensed. Shares awarded 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 directors to encourage the alignment of personal and shareholder interests. During the financial year, the Company's share price traded between a low of $0.31 and a high of $0.73. The price volatility is a concern to the Board but is not considered abnormal for medium sized exploration entities. 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.

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:

	Primary					% of Total Remuneration		
2011	Cash Salary & Fees	Cash Bonus	Post employ-ment benefits	Share Based Payments – Equity Options[2]	Total	Fixed	At Risk Short Term Incentive	At Risk Long Term Incentive
	$	$	$	$	$	%	%	%
Directors								
A Sage	550,000	-	-	265,165	815,165	67%	33%	0%
B Maher	48,000	-	-	56,821	104,821	46%	54%	0%
T Turner	60,000	-	-	85,232	145,232	41%	59%	0%
R Levin	48,000	-	4,320	56,821	109,141	48%	52%	0%
Other Key Management Personnel								
J Hamilton	303,038	-	-	14,205	317,243	96%	4%	0%
K Bischoff	183,502	-	-	14,205	197,707	93%	7%	0%
GV Ariti	421,014	-	-	56,821	477,835	88%	12%	0%
F Taylor	101,700	-	-	28,411	130,111	78%	22%	0%
E von Puttkammer	72,000	-	-	28,411	100,411	72%	28%	0%
Claire Tolcon[4]	69,392	-	-	47,351	116,743	59%	41%	0%
	1,856,646	-	4,320	653,443	2,514,409	74%	26%	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. The share options issued to directors and key management personnel during the year were issued for no consideration and did not have performance conditions attached given that they were issued for services already rendered. The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 30 November 2010. The share options have been valued using the Black Scholes option valuation method at $0.09 on the date of issue on 9 December 2010. The amount payable upon exercise of each share option is $0.45 and the share options will expire on 30 September 2011.
3. No non monetary benefits were provided to directors or key management personnel during the year.
4. Ms Claire Tolcon was appointed on 1 December 2010 following the resignation of Ms Eloise von Puttkammer on that date.

	Primary					% of Total Remuneration		
2010	Cash Salary & Fees	Cash Bonus[5]	Post employment benefits	Share Based Payment - Shares[3]	Total	Fixed	At Risk Short Term Incentive	At Risk Long Term Incentive
	$	$	$	$	$	%	%	%
Directors								
A Sage	531,250	1,350,000	-	913,392	2,794,642	19%	81%	-
B Maher	35,250	-	-	175,000	210,250	17%	83%	-
T Turner	60,000	-	-	200,000	260,000	23%	77%	-
R Levin[2]	12,000	-	-	-	12,000	100%	-	-
Other Key Management Personnel								
J Hamilton	307,800	-	39,607	147,500	494,907	70%	30%	-
K Bischoff	198,000	-	31,316	137,500	366,816	63%	37%	-
GV Ariti	392,333	-	-	375,000	767,333	51%	49%	-
F Taylor	102,590	-	10,090	125,000	237,680	47%	53%	-
E von Puttkammer	68,250	-	18,735	100,000	186,985	47%	53%	-
	1,707,473	1,350,000	99,748	2,173,392	5,330,613	34%	66%	-

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. R Levin was appointed on 1 April 2010.
3. The fully paid ordinary shares issued to directors and key management personnel during the year were issued for no consideration. The shares issued to directors were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 16 November 2009. The shares have been valued at the Company's share price of $0.50 on the date the shares were admitted to quotation on ASX. The shares are subject to escrow restrictions which came to an end on 30 June 2010. In valuing the shares, a discount for escrow restrictions was not taken into account.
4. No non monetary benefits were provided to directors or key management personnel during the year.
5. Cash bonus attributable to successful sale of the Lady Annie Project.

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 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.

	2006	2007	2008	2009	2010	2011
Closing Share Price 30 June	$0.350	$0.690	$0.660	$0.32	$0.32	$0.445
Profit/(loss) for the year	($15,030,508)	($3,945,284)	$2,179,472	$229,009,330	$72,248,076	($11,846,271)
Basic EPS	($0.0757)	($0.0158)	$0.0077	$0.47	$0.13	($0.02)

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

The Employee Incentive Scheme, approved by the shareholders in December 2000 sets out:

- the option entitles each option holder to one share exercisable any time up to or on the expiry date at the stated exercise price.
- the option 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, the options are freely transferable;
- the shares, upon exercise of the options, will rank pari passu with the Company's then issued shares and 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 options were issued for nil consideration in December 2010 following shareholder approval being obtained in November 2010 and there were no performance conditions attached to the options given that they were issued for services already rendered.

All of the options that were issued to key management personnel during the year are disclosed in the table below:

2011	Options Granted Value at Grant Date	Options Exercised Value at Exercise Date	Options Lapsed Value at Time of Lapse	Options Granted, Exercised or Lapsed	Percentage of Total Remuneration for the Year that Consists of Options
	$	$	$	$	%
Directors					
A Sage	265,165	-	-	265,165	33%
B Maher	56,821	-	-	56,821	59%
T Turner	85,232	-	-	85,232	54%
R Levin	56,821	-	-	56,821	52%
Other Key Management Personnel					
J Hamilton	14,205	-	-	14,205	4%
K Bischoff	14,205	(14,205)	-	-	7%
GV Ariti	56,821	-	-	56,821	12%
Claire Tolcon	47,351	-	-	47,351	41%
F Taylor	28,411	-	-	28,411	22%
E von Puttkammer	28,411	-	-	28,411	28%
Total	653,443	(14,205)	-	639,238	

2011	Options Granted	Options Exercised	Options Lapsed	Options Granted, Exercised or Lapsed	Percentage of Total Remuneration for the Year that Consists of Options
	Number	Number	Number	Number	%
Directors					
A Sage	2,800,000	-	-	2,800,000	33%
B Maher	600,000	-	-	600,000	59%
T Turner	900,000	-	-	900,000	54%
R Levin	600,000	-	-	600,000	52%
Other Key Management Personnel					
J Hamilton	150,000	-	-	150,000	4%
K Bischoff	150,000	(150,000)	-	-	7%
GV Ariti	600,000	-	-	600,000	12%
Claire Tolcon	500,000	-	-	500,000	41%
F Taylor	300,000	-	-	300,000	22%
E von Puttkammer	300,000	-	-	300,000	28%
Total	6,900,000	(150,000)	-	6,750,000	

No options were issued to directors or other key management personnel during the year ended 30 June 2010. All options held by directors and other key management personnel on 1 July 2009 lapsed during the 30 June 2010 financial year.

2010	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					
A Sage	-	-	-	-	-
B Maher	-	-	-	-	-
T Turner	-	-	-	-	-
R Levin	-	-	-	-	-
Other Key Management Personnel					
J Hamilton	-	-	378,600	378,600	-
K Bischoff	-	-	378,600	378,600	-
GV Ariti	-	-	757,200	757,200	-
F Taylor	-	-	-	-	-
E von Puttkammer	-	-	88,340	88,340	-
Total	-	-	1,602,740	1,602,740	-

2010	Options Granted	Options Exercised	Options Lapsed	Options Granted, Exercised or Lapsed	Percentage of Total Remuneration for the Year that Consists of Options
	Number	Number	Number	Number	%
Directors					
A Sage	-	-	-	-	-
B Maher	-	-	-	-	-
T Turner	-	-	-	-	-
R Levin	-	-	-	-	-
Other Key Management Personnel					
J Hamilton	-	-	1,500,000	1,500,000	-
K Bischoff	-	-	1,500,000	1,500,000	-
GV Ariti	-	-	3,000,000	3,000,000	-
F Taylor	-	-	-	-	-
E von Puttkammer	-	-	350,000	350,000	-
Total	-	-	6,350,000	6,350,000	-

Service Agreements

EXECUTIVE DIRECTORS

The engagement conditions of the Executive Chairman, Antony Sage were approved by the Board on 28 August 2009 with a fee of $550,000 (2010: $550,000) 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 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 contract is for a period of three (3) years from the date of entering the agreement on 28 August 2009.

NON-EXECUTIVE DIRECTORS

The engagement conditions of non-executive director Brian Maher were approved by the Board on commencement of engagement. A fee of $48,000 per annum was subsequently approved by the Board with effect from 1 April 2010.

The engagement conditions of non-executive director Timothy Turner were approved by the Board on 30 November 2007. A fee of $60,000 per annum plus GST was subsequently approved by the Board on 28 August 2009.

The engagement conditions of non-executive director Ross Levin were approved by the Board on commencement of engagement on 1 April 2010 with a fee of $48,000 per annum.

OTHER KEY MANAGEMENT PERSONNEL

The engagement conditions of contractor Jeff Hamilton were approved by the Board on commencement of his engagement in April 2006. A subsequent review was undertaken and a fee of $1,200 per day plus GST was approved (2010: $1,200 per day).

The engagement conditions of contractor Kim Bischoff were approved by the Board on commencement of his engagement in February 2008 with a fee of $1,200 per day plus GST (2010: $1,200 per day).

The engagement conditions of contractor Joe Ariti were approved by the Board on commencement of his engagement in August 2006 with a fee of $1,500 per day plus GST (2010: $1,500 per day).

The engagement conditions of contractor Claire Tolcon were set out in a service agreement upon appointment in December 2010 with a fee of $3,000 per month plus GST for general company secretarial services and a fee of $1,460 per day plus GST for legal services.

The engagement conditions of contractor Fiona Taylor were agreed upon appointment in April 2009. A subsequent review was undertaken and a fee of $850 per day plus GST was approved (2010:$120,000 per annum plus GST).

The engagement conditions of contractor Eloise von Puttkammer were agreed upon appointment in April 2009. A subsequent review was undertaken and a fee of $72,000 per annum plus GST was approved (2010: $72,000 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 Cape Lambert Group or intervene in any proceedings to which the Cape Lambert Group is a party for the purpose of taking responsibility on behalf of the Cape Lambert Group for all or any part of those proceedings.

The Cape Lambert group was not a party to any such proceedings during the year.

Cape Lambert commenced legal action against MCC Australia Sanjin Mining Pty Ltd and its parent company Metallurgical Corporation of China Limited to recover the final payment of $80 million due in relation to the sale of the Cape Lambert North tenements.

Non Audit Services

The Board of Directors is satisfied that the provision of any non-audit services by the Company's auditors is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 because:

- 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 is reviewed to ensure that they 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 current year no amounts were paid or payable (2010: Nil) to the auditor or its related practices for any non audit services.

Share Options

Share Options Granted to Directors and Employees and Consultants

During the financial year, 8,000,000 share options were granted to directors, employees and consultants (2010: nil).

Share Options on Issue at Year End

As at 30 June 2011, there were 7,850,000 share options on issue (2010: nil).

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

Number of Shares Issued	Class of Shares	Amount Paid for Shares	Amount Unpaid on Shares
150,000	ORD	$67,500	-

Shares under option

Unissued ordinary shares of Cape Lambert under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
9 December 2010	30 September 2011	$0.45	2,650,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

Since 30 June 2011, 5,200,000 share options have been exercised for total consideration of $2,340,000. No amounts are unpaid on any of the shares.

Auditor’s Independence Declaration

The auditor’s independence declaration under section 307C of the *Corporations Act 2001* is set out on page 36 for the year ended 30 June 2011.

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

Antony Sage
Director

Dated this 28th day of September 2011

AUDITOR'S INDEPENDENCE DECLARATIONS

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Cape Lambert Resources Limited for the year ended 30 June 2011, 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 Resources Limited and the entities it controlled during the period.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
28 September 2011

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STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 30 June 2011	30 June 2010
		$	$
Continuing Operations			
Revenue	3(a)	**4,563,720**	11,946,092
Other income	3(b)	**43,906,146**	110,328,298
Production costs		**-**	(9,298,608)
Share based payments		**(797,277)**	(3,498,392)
Directors remuneration and employee benefits expenses		**(2,191,400)**	(3,678,419)
Consulting expenses		**(8,112,617)**	(18,088,983)
Occupancy expenses	3(e)	**(1,220,364)**	(1,041,949)
Compliance and regulatory expenses		**(544,188)**	(723,086)
Travel and accommodation		**(750,426)**	(954,901)
Share registry maintenance		**(161,034)**	(118,412)
Depreciation and amortisation expense	3(c)	**(338,623)**	(386,318)
Finance costs	3(d)	**(115,560)**	(1,148,482)
Other expenses	3(f)	**(5,252,232)**	(6,744,728)
Provision for impairment of loans	8	**(2,931,025)**	-
Impairment of investment in associate	13(e)	**(4,419,058)**	-
Impairment of capitalised exploration	12	**(36,591,446)**	-
Share of net losses of associates accounted for using the equity method	13(b)	**(7,847,148)**	(3,400,210)
Profit / (loss) before income tax		**(22,802,531)**	73,191,902
Income tax benefit / (expense)	4	**10,956,260**	(943,826)
Net profit / (loss) for the year		**(11,846,271)**	72,248,076
Other comprehensive income/(expenditure) net of tax			
Foreign exchange differences arising on translation of foreign operations		**390,980**	(1,046,464)
Share of reserves of associates accounted for using the equity method		**831,975**	(244,996)
Total comprehensive income/(loss) for the year		**(10,623,316)**	70,956,616
Profit/(loss) for the year attributable to:			
Members of Cape Lambert Resources Limited		**(11,846,271)**	72,248,076
Non controlling interests		**-**	-
		(11,846,271)	72,248,076
Total comprehensive income/(loss) for the year attributable to:			
Members of Cape Lambert Resources Limited		**(10,623,316)**	70,956,616
Non controlling interests		**-**	-
		(10,623,316)	70,956,616
Earnings / (loss) per share for profit from continuing operations attributable to members of Cape Lambert Resources Limited:			
Basic earnings /(loss) per share (cents per share)	19	**(1.96)**	12.66
Diluted earnings /(loss) per share (cents per share)	19	**(1.96)**	12.20

The accompanying notes form part of this financial report.

STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2011 $	30 June 2010 $
CURRENT ASSETS			
Cash and cash equivalents	28(a)	**43,096,285**	135,709,067
Restricted cash	10	**544,240**	25,257
Trade and other receivables	8	**8,235,536**	14,091,619
Inventories		**150,113**	-
TOTAL CURRENT ASSETS		**52,026,174**	149,825,943
NON-CURRENT ASSETS			
Trade and other receivables	8	**1,175,761**	5,294,805
Other financial assets	9	**30,325,436**	26,634,643
Investments accounted for using the equity method	13	**38,109,367**	66,785,069
Restricted cash	10	**3,082,372**	1,466,716
Plant and equipment	11	**2,870,627**	1,209,050
Exploration and evaluation expenditure	12	**242,987,407**	200,148,822
TOTAL NON-CURRENT ASSETS		**318,550,970**	301,539,105
TOTAL ASSETS		**370,577,144**	451,365,048
CURRENT LIABILITIES			
Trade and other payables	14	**22,864,528**	32,842,214
Provisions	15	**887,457**	43,855,268
Current tax liabilities		**2,870,542**	1,611,932
Deferred income		**14,652**	96,678
TOTAL CURRENT LIABILITIES		**26,637,179**	78,406,092
NON-CURRENT LIABILITIES			
Provisions	15	**2,349,210**	-
Deferred tax liability	4	**5,547,955**	19,586,090
TOTAL NON-CURRENT LIABILITIES		**7,897,165**	19,586,090
TOTAL LIABILITIES		**34,534,344**	97,992,182
NET ASSETS		**336,042,800**	353,372,866
EQUITY			
Issued capital	16	**167,528,846**	177,603,225
Reserves	17	**728,772**	(1,291,460)
Retained earnings	18	**155,086,616**	166,932,887
Parent interests		**323,344,234**	343,244,652
Non-controlling interests		**12,698,566**	10,128,214
TOTAL EQUITY		**336,042,800**	353,372,866

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY

2011	Note	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non-controlling interests	Total
		$	$	$	$	$	$
Balance at 1 July 2010		177,603,225	166,932,887	167,308	(1,458,768)	10,128,214	353,372,866
Loss for the year		-	(11,846,271)	-	-	-	(11,846,271)
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operation		-	-	-	390,980	-	390,980
Share of associate's share based payment reserves		-	-	863,899	(31,924)	-	831,975
Total comprehensive income/(loss) for the year		-	(11,846,271)	863,899	359,056	-	(10,623,316)
Transactions with owners in their capacity as owners							
Acquisition of remaining shares in non-controlling interest		-	-	-	-	(10,128,214)	(10,128,214)
Shares issued on acquisition of controlled entity		21,780,000	-	-	-	12,698,566	34,478,566
Share based payments expense	5, 17	-	-	797,277	-	-	797,277
Issue of shares upon exercise of options	16	67,500	-	-	-	-	67,500
Share reduction via on-market buy back	16	(31,921,879)	-	-	-	-	(31,921,879)
Transactions with equity holders in their capacity as owners		(10,074,379)	-	797,277	-	2,570,352	(6,706,750)
Balance at 30 June 2011		**167,528,846**	**155,086,616**	**1,828,484**	**(1,099,712)**	**12,698,566**	**336,042,800**

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY

2010	Note	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non-controlling interests	Total
		$	$	$	$	$	$
Balance at 1 July 2009		126,016,077	138,487,994	4,386,526	-	-	268,890,597
Profit for the year		-	72,248,076	-	-	-	72,248,076
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operation		-	-	-	(1,046,464)	-	(1,046,464)
Share of associate's reserves		-	-	167,308	(412,304)	-	(244,996)
Total comprehensive income for the year		-	72,248,076	167,308	(1,458,768)	-	70,956,616
Transactions with owners in their capacity as owners							
Non controlling interests on acquisition of controlled entity		-	-	-	-	10,128,214	10,128,214
Share based payments – shares issued as purchase consideration	5, 16	35,100,245	-	-	-	-	35,100,245
Share-based payments – shares issued to directors, employees and consultants	16	3,498,392	-	-	-	-	3,498,392
Issue of shares upon exercise of options	16	8,652,000	-	-	-	-	8,652,000
Value at inception of options exercised during the year	16,17	2,212,000	-	(2,212,000)	-	-	-
Value at inception of options lasped during the year	16,17	2,174,526	-	(2,174,526)	-	-	-
Tax effect of capital raising costs	16	(50,015)	-	-	-	-	(50,015)
Dividend provided for	15,18	-	(43,803,183)	-	-	-	(43,803,183)
Transactions with equity holders in their capacity as owners		51,587,148	(43,803,183)	(4,386,526)	-	10,128,214	13,525,653
Balance at 30 June 2010		**177,603,225**	**166,932,887**	**167,308**	**(1,458,768)**	**10,128,214**	**353,372,866**

The accompanying notes form part of this financial report.

STATEMENT OF CASH FLOWS

		For the year ended 2011	2010
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		-	6,512,922
Payments to suppliers and employees (inclusive of GST)		(17,226,459)	(31,510,686)
Interest received		4,092,304	3,542,637
Interest and other finance costs paid		(115,560)	(1,148,482)
Receipts – other		218,888	332,080
Income tax paid		(1,611,935)	(24,159,186)
Net cash used in operating activities	28(b)	(14,642,762)	(46,430,715)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interests in associated entities		(21,682,681)	(16,529,198)
Proceeds on disposal of interest in associated entities		20,690,740	587,841
Payments for exploration and evaluation		(38,957,481)	(8,480,163)
Purchase of property, plant and equipment		(572,702)	(1,173,043)
Payment of stamp duty in relation to asset acquisitions		-	(9,121,242)
Cash balances acquired on acquisition of controlled entities		-	3,000,188
Cash balances disposed of on disposal of controlled entity		(290,133)	(754,372)
Release of restricted cash balances in relation to environmental bonds / performance bonds		1,689,694	7,740,979
Payment of restricted cash in relation to environmental bonds / performance bonds		(3,933,830)	-
Return on cash bonds		-	3,242,000
Loans to related entities		(10,493,646)	-
Proceeds on repayment of loans		19,838,246	3,125,000
Payment on subscription to convertible loan notes		(2,000,000)	(5,900,000)
Loans to associated entity		(2,936,799)	-
Purchase of equity investments		(15,008,334)	(9,341,737)
Proceeds from sale of equity investments		12,292,923	30,001,261
Payments on acquisition of controlled entities		-	(3,301,646)
Payment pursuant to a business combination		(6,651,185)	-
Payment pursuant to prior year business combination		(22,233,433)	-
Proceeds from sale of controlled entity		47,000,000	129,500,000
Proceeds from sale of prospect		30,000,000	-
Repayment of loan on disposal of controlled entity		984,000	2,766,332
Exclusivity payment received		250,000	-
Payment of deposit for Leichhardt tenements		-	(1,000,000)
Repayment of deferred consideration in relation to business combination		-	(10,000,000)
Net cash (used in)/provided by investing activities		7,985,379	114,362,200

STATEMENT OF CASHFLOWS (CONTINUED)

	Note	2011 $	2010 $
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**-**	793,500
Repayment of borrowings		**-**	(15,726,621)
On-market buy back		**(31,921,879)**	-
Dividend paid to Shareholders		**(43,803,183)**	-
Proceeds from issues of equity securities		**67,500**	8,652,000
Transactions with non-controlling interests		**(10,134,440)**	-
Net cash used in financing activities		**(85,792,002)**	(6,281,121)
Net increase / (decrease) in cash and cash equivalents		**(92,449,385)**	61,650,364
Cash and cash equivalents at beginning of period		**135,709,067**	74,058,703
Foreign exchange		**(163,397)**	-
Cash and cash equivalents at end of period	28(a)	**43,096,285**	135,709,067
Non-cash financing and investing activities	28(c)		

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF ANNUAL REPORT

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 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.

The financial report covers Cape Lambert Resources Limited and its controlled entities ("the Consolidated Entity"). Cape Lambert Resources Limited is a public listed company, incorporated and domiciled in Australia.

COMPLIANCE WITH IFRS

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) as issued by the International Accounting Standards Board (IASB).

2. SUMMARY OF ACCOUNTING POLICIES

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.

(a) New Accounting Standards and Interpretations

CHANGES IN ACCOUNTING POLICY AND OTHER DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows: The following standards and interpretations have been applied by the Consolidated Entity during the current year:

Reference	Title	Application date of standard	Application date for the Consolidated Entity
AASB 2009-5	*Further amendments arising from the second annual improvements project*	1 January 2010	1 July 2010
AASB 2010-3	*Amendments to Australian Accounting Standards arising from the Annual Improvements Project*	1 July 2010	1 July 2010

The standards and amendments that are mandatory for the first time for the financial year beginning 1 July 2010 did not have any impact on the current period or any prior period and are not likely to affect future periods.

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the annual reporting period ended 30 June 2011 are set out below. Unless otherwise stated, it is expected that there will be no impact on the Consolidated Entity on applying the new standards and interpretations once they are effective.

AASB 9 *Financial Instruments*, AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective for annual reporting periods beginning on or after 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Consolidated Entity recognised nil of such losses in other comprehensive income.

There will be no impact on the Consolidated Entity's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as at fair value through profit or loss and the Consolidate Entity does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Consolidated Entity has not yet decided when to adopt AASB 9.

AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)
In November 2010, the AASB made amendments to AASB 7 *Financial Instruments: Disclosures* which introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

AASB 1054 *Australian Additional Disclosures,* AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project* and AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements* (effective 1 July 2011)
The AASB and NZ FRSB have issued accounting standards that eliminate most of the existing differences between their local standards and IFRS. Where additional disclosures were considered necessary, they were moved to the new standard AASB 1054. Adoption of the new rules will not affect any of the amounts recognised in the financial statements, but may simplify some of the Consolidated Entity's current disclosures.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 2013)
In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

(a) New Accounting Standards and Interpretations (continued)

ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

AASB 10 *Consolidated Financial Statements,* AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)
In August 2011, the AASB issued a suite of new and amended standards which address the accounting for consolidated financial statements and associated disclosures.

AASB 10 introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. There is also new guidance on participating and protective rights and on agent/principal relationships. While the Consolidated Entity does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 12 sets out the required disclosures for entities reporting under the new AASB 10 standard and replaces the disclosure requirements currently found in AASB 128. Application of this standard by the Consolidated Entity will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the group's investments.

AASB 127 is renamed *Separate Financial Statements* and is now a standard dealing solely with separate financial statements.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

The Consolidated Entity does not expect to adopt the new standards before their operative date.

AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)
AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Consolidated Entity has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. Application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Consolidated Entity does not intend to adopt the new standard before its operative date.

There are no other standards that are not yet effective and that are expected to have a material impact on the Consolidated Entity in the current or future reporting periods and on foreseeable future transactions.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Cape Lambert Resources Limited ("Cape Lambert") and its subsidiaries (as outlined in note 24) as at and for the period ended 30 June each year. Interests in associates are equity accounted and are not part of the Consolidated Entity.

Subsidiaries are all those entities over which Cape Lambert has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Cape Lambert controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profits and losses resulting from intra-group transactions have been eliminated in full.

Investments in subsidiaries held by Cape Lambert are accounted for at cost in the separate financial statements of the parent less any impairment charges.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non controlling interest in the acquiree. The identifiable assets acquired and liabilities assumed are measured at their fair values at the date of acquisition. Any difference between the fair value of the consideration and the fair values of the identifiable net assets acquired is recognised as goodwill or a gain on bargain purchase.

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented with equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

If Cape Lambert loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- Derecognises the carrying value of any non-controlling interest;
- Derecognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises and surplus or deficit in the statement of comprehensive income;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

If ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Associates

Associates are 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 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 consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in statement of comprehensive income and reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates 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.

(d) 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 statement of financial position. Restricted cash relates to term deposits held with various financial institutions as security for bank guarantees.

(e) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(f) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(g) Property, Plant and Equipment

Plant and equipment is 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 are 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
Leasehold improvements	over the period of the lease

(h) 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. The Consolidated Entity has the following financial assets:

A. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Certain shares and options held for trading have been classified 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 reporting date. Assets in this category are classified as current assets if they are expected to be realised within 12 months otherwise they are classified as non-current assets.

(h) Financial Assets (continued)

B. LOANS AND RECEIVABLES

Trade receivables, loans, and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They 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. They are included in current assets, other than those with maturities greater than 12 months from reporting date which are classified as non-current assets.

C. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets are those non derivative financial assets, principally equity securities, that are designated as available for sale or are not classified as 'at fair value through profit or loss', 'held-to-maturity' investments or 'loans and receivables'. Available for sale financial assets are measured at cost until the investment is disposed of or determined to be impaired, at which time the gain or loss on disposal or the impairment is recognised in the profit or loss. They are included in non-current assets unless management intends to dispose of the investment within 12 months.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(i) Financial Instruments Issued by the Consolidated Entity

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 statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(j) Foreign Currency

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

All foreign currency transactions occurring during the financial year are recognised at 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 the profit or loss in the period in which they arise except those exchange differences which relate to assets under construction for future productive use which 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 companies within the Consolidated Entity are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Cape Lambert's functional and presentation currency.

GROUP COMPANIES

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;

b. income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

c. all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the Consolidated Entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(l) Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service 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 2(q) for accounting policy regarding share based payments.

(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.

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.

(n) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(o) 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.

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.

(o) Income Tax (continued)

The Consolidated Entity has implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

CURRENT AND DEFERRED TAX FOR THE PERIOD

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

(p) 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.

INTEREST REVENUE

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

(q) 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 and exercise restrictions.

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.

(r) 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 in the statement of comprehensive income 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.

(s) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

Operating segments have been identified based on the information presented to the chief operating decision makers – being the executive management team.

Information about other business activities and operating segments that do not meet the quantitative criteria set out in AASB 8 "Operating Segments" are combined and disclosed in a separate category called "other".

(t) 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.

(u) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

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 non controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Consolidated Entity's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Any contingent consideration to be transferred by the acquiree is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(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 statement of comprehensive income on a straight line basis over the period of the lease.

(w) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(x) Parent entity financial information

The financial information for the parent entity, Cape Lambert Resources Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below:

INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE ENTITIES

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Cape Lambert Resources Limited. Dividends received from associates are recognised in the parent entity's statement of comprehensive income, rather than being deducted from the carrying amount of these investments.

TAX CONSOLIDATION LEGISLATION

Cape Lambert Resources Limited and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Cape Lambert Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which the wholly- owned entities fully compensate Cape Lambert Resources Limited for any current tax payables assumed and are compensated by Cape Lambert Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Cape Lambert Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligation to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(y) Comparative Figures

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

(z) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed as balance date.

Critical Judgements in Applying the Consolidated Entity's Accounting Policies

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

EXPLORATION AND EVALUATION

The Consolidated Entity's accounting policy for exploration and evaluation is set out at Note 1(r). 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 in the statement of comprehensive income.

As at 30 June 2011, management have recognised impairment losses in respect of capitalised exploration and evaluation to the extent of $36,591,446.

INCOME TAXES

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations.

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Consolidated Entity has recognised deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

Critical Judgements in Applying the Consolidated Entity's Accounting Policies (continued)

BUSINESS COMBINATION

Significant judgement is required in determining whether the acquisition of a project constitutes a business combination. The Consolidated Entity assess whether the project acquired meets the definition of a business as set out in AASB 3 "Business Combination". If the project acquired falls within the prescribed definition of a business, it is accounted for as a business combination. Where the project acquired does not fall within the prescribed definition of a business, it is treated as an asset acquisition.

During the current financial year, the Company through its wholly owned subsidiary, Cape Lambert Leichhardt Pty Ltd, completed the acquisition of the Leichhardt Copper project from Matrix Metals Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) (In Liquidation). Management have determined that the acquisition is a business combination and have made a number of assumptions in determining the fair values of the assets acquired and the liabilities assumed pursuant to this business combination.

The Company's acquisition of Pinnacle in the current year has been determined by management to be an asset acquisition.

CONTINGENT ASSETS AND LIABILITIES

As at 30 June 2011, the final payment of $80,000,000 in relation to the Company's disposal of the Cape Lambert Iron Ore Project had not been received. In September 2010, the Company commenced legal action to recover the final payment owing.

Given the uncertainty surrounding the receipt of this final payment, the Company has not recognized the final payment as a receivable and has not recognized as a payable the commission of $7,600,000 that will fall due in the event that the final payment is received.

During the year ended 30 June 2010, the Company disposed of 100% of its interest in Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, to China Sci-Tech Holdings Limited; a Hong Kong listed Company, for $135 million. The purchase consideration includes two contingent payments of $2.5 million each, which are payable once certain production and reserve related milestones are achieved. The Company has recognised the first contingent payment of $2.5 million as a receivable as at 30 June 2011. However, given that it is not certain that the remaining production and reserve related milestones will be achieved, the Company has not recognised the final contingent payment as a receivable.

IMPAIRMENT

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined.

As at 30 June 2011, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.

3. PROFIT/(LOSS) FROM OPERATIONS

	Note	Consolidated 2011 $	Consolidated 2010 $
(a) Revenue			
Sale of goods		**-**	6,512,922
Interest income		**4,333,158**	5,091,090
Rental revenue		**198,659**	28,671
Other revenue		**31,903**	313,409
		4,563,720	11,946,092
(b) Other income			
Gain on disposal of financial assets through profit and loss		**5,210,596**	6,434,307
Gain on disposal of associate		**8,621,099**	2,042,814
Gain on acquisition of controlled entity which was previously an equity accounted associate		**-**	11,283,009
Gain on disposal of controlled entity	23	**26,857,705**	85,222,069
Gain on conversion of convertible notes		**-**	2,245,573
Gain on recognition of deferred consideration receivable		**2,500,000**	-
Gain on recognition of equity instruments received		**396,395**	2,474,330
Other income		**320,351**	626,196
		43,906,146	110,328,298
(c) Depreciation and amortisation expense			
Depreciation of plant and equipment	11	**(302,082)**	(339,631)
Amortisation of leasehold improvements	11	**(36,541)**	(46,687)
Depreciation and amortisation expense		**(338,623)**	(386,318)
(d) Finance costs			
Interest and finance charges paid or payable		**(115,560)**	(1,148,482)
(e) Occupancy expenses			
Rental expense relating to operation leases - minimum lease payments		**(899,399)**	(808,225)
Other occupancy expenses		**(320,965)**	(233,724)
		(1,220,364)	(1,041,949)
(f) Other expenses			
Loss on disposal of financial assets through profit and loss		**(179,071)**	-
Loss on fair value of financial assets through profit and loss		**(962,916)**	(1,796,144)
Foreign currency exchange losses		**(864,907)**	(68,982)
Other expenses		**(3,245,338)**	(4,879,602)
		(5,252,232)	(6,744,728)

4. INCOME TAXES

	Consolidated 2011 $	Consolidated 2010 $
Major components of income tax expense for the year are:		
Income statement		
Current income		
Current income tax charge / (benefit)	**2,332,909**	698,831
Deferred income tax		
Relating to origination and reversal of temporary differences	**(14,038,135)**	244,995
Benefit from unrecognised tax loss used to reduce deferred tax expense	**748,966**	-
Income tax expense / (benefit) reported in income statement	**(10,956,260)**	943,826
Statement of changes in equity		
Deferred income tax		
Capital raising costs	**-**	50,107
Income tax expense reported in equity	**-**	50,107

Reconciliation

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

	Consolidated 2011 $	Consolidated 2010 $
Accounting profit / (loss) before income tax	**(22,802,531)**	73,191,902
Income tax expense / (benefit) at the statutory income tax rate of 30% (2010: 30%)	**(6,840,759)**	21,957,571
Adjusted for :-		
Non-deductible expenses	**17,982**	78,921
Share based payments	**239,183**	1,049,518
Deferred tax assets and tax losses not recognised	**770,064**	390,747
Adjustment of prior year estimates	**-**	(1,120,094)
Net capital gain / (loss) on disposal of controlled entity	**3,374,505**	16,445,927
Net capital gain / (loss) on disposal of financial assets	**(12,522,524)**	(33,948,381)
Profit on disposal of associate	**-**	396,092
Share of losses of associates	**2,197,815**	1,020,063
Impairment of associates	**1,325,717**	-
Gain on recognising fair value of associate before it became a controlled entity	**-**	(3,384,903)
Recognition of tax payable in foreign jurisdictions	**481,757**	317,355
Step up of asset cost bases on entry into tax consolidated group	**-**	(2,258,990)
At effective income tax rate of nil (2010: 1.29%)	**(10,956,260)**	943,826
Income tax expense / (benefit) reported in income statement	**(10,956,260)**	943,826

Tax Consolidation

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Cape Lambert Group 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 Resources 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 Resources Limited.

In this regard the Company has assumed the benefit of tax losses from controlled entities of Nil (2010: Nil) as of the balance date. The Company has received a payment from the controlled entities of $5,215,749 (2010: $38,026,858) 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	
	2011	2010
	$	$
Accrued income	**(58,862)**	(432,946)
Capitalised expenditure	**(3,914,619)**	(20,444,281)
Financial assets	**(4,217,115)**	(1,978,964)
Deferred tax liabilities recognised in foreign jurisdictions	**(1,117,893)**	(615,353)
Unrealised foreign exchange gains / losses	**-**	(45,498)
Deferred tax liability	**(9,308,489)**	(23,517,042)
The deferred tax asset balance comprises temporary differences attributable to:		
Losses available for offset against future taxable income	**1,483,645**	1,483,645
Accrued expenses and provisions	**100,460**	53,739
Business related costs	**2,112,314**	2,393,568
Unrealised foreign exchange gains / losses	**64,115**	-
Deferred tax asset	**3,760,534**	3,930,952
Net deferred tax asset /(liability)	**(5,547,955)**	(19,586,090)

4. INCOME TAXES (CONTINUED)

Movement in temporary differences during the year

	Balance 1 July 2010	Recognised in Income	Balance 30 June 2011
	$	$	$
Consolidated			
Accrued income	(432,946)	374,084	**(58,862)**
Financial assets	(1,978,964)	(2,238,151)	**(4,217,115)**
Accrued expenses and provisions	53,739	46,721	**100,460**
Business related costs	2,393,568	(281,254)	**2,112,314**
Tax losses	1,483,645	-	**1,483,645**
Capitalised exploration expenditure	(20,444,281)	16,529,662	**(3,914,619)**
Unrealised foreign exchange gains / losses	(45,498)	109,613	**64,115**
Deferred tax liabilities recognised in foreign jurisdictions	(615,353)	(502,540)	**(1,117,893)**
Net deferred tax liability	(19,586,090)	14,038,135	**(5,547,955)**

	Consolidated 2011	Consolidated 2010
	$	$
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**2,566,880**	1,302,490
@ 30%	**770,064**	390,747

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.

5. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Consolidated	
	2011	2010
	$	$
Short-term employee benefits	**1,856,646**	3,057,473
Post-employment benefits	**4,320**	99,748
Share based payments	**653,443**	2,173,392
	2,514,409	5,330,613

Detailed remuneration disclosures are provided in the remuneration report on pages 26 to 32.

SHARE HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of fully paid ordinary shares of Cape Lambert Resources Limited held by directors and key management personnel are set out below:

2011	Balance 01-Jul-10	Share based payment received	Received on exercise of options	On market purchases	On market sales	Balance 30-Jun-11	Balance held nominally
	Number	Number	Number	Number	Number	Number	Number
Directors							
A Sage	32,090,430	-	-	3,650,000	-	35,740,430	35,740,430
T Turner	1,400,000	-	-	-	-	1,400,000	1,400,000
R Levin	-	-	-	-	-	-	-
B Maher	1,365,000	-	-	-	-	1,365,000	1,365,000
Other Key Management Personnel							
J Hamilton	699,000	-	-	-	(49,000)	650,000	650,000
K Bischoff	275,000	-	150,000	-	-	425,000	425,000
GV Ariti	1,550,000	-	-	-	-	1,550,000	-
Claire Tolcon	-	-	-	-	-	-	-
F Taylor	250,000	-	-	-	-	250,000	-
E von Puttkammer	220,000	-	-	-	-	220,000	-
	37,849,430	-	150,000	3,650,000	(49,000)	41,600,430	39,580,430

5. KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Share holdings of directors and key management personnel (continued)

2010	Balance 01-Jul-09	Share based payment received	Received on exercise of options	On market purchases	On market sales	Balance 30-Jun-10	Balance held nominally
	Number	Number	Number	Number	Number	Number	Number
Directors							
A Sage	26,939,761	1,826,784	-	3,323,885	-	32,090,430	32,090,430
T Turner	1,000,000	400,000	-	-	-	1,400,000	1,400,000
R Levin	-	-	-	-	-	-	-
B Maher	738,000	350,000	-	277,000	-	1,365,000	1,365,000
Other Key Management Personnel							
J Hamilton	-	295,000	-	404,000	-	699,000	699,000
K Bischoff	-	275,000	-	-	-	275,000	275,000
GV Ariti	800,000	750,000	-	-	-	1,550,000	-
F Taylor	-	250,000	-	-	-	250,000	-
E von Puttkammer	20,000	200,000	-	-	-	220,000	-
	29,497,761	4,346,784	-	4,004,885	-	37,849,430	35,829,430

During the prior year, 4,346,784 fully paid ordinary shares were issued to directors and key management personnel. The shares were issued for no consideration as part of their remuneration packages. The shares issued to directors were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 16 November 2009.

The shares have been valued at the Company's share price of $0.50 on the date they were admitted to quotation on ASX. The shares are subject to escrow restrictions which came to an end on 30 June 2010. In valuing the shares, a discount for escrow restrictions was not taken into account.

The value assigned to the shares issued to directors and key management personnel amounted to $2,173,392.

OPTION HOLDINGS OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of options over ordinary shares of Cape Lambert Resources Limited held by directors and key management personnel are set out below. Further details of the Cape Lambert Resources Limited Employee Option Scheme are contained in note 6 to the financial statements.

2011	Balance 01-Jul-10	Granted as remuneration	Lapsed during the year	Exercised during the year	Balance 30-Jun-11	Vested and exercisable 30-Jun-11
	No.	No.	No.	No.	No.	No.
Directors						
A Sage	-	2,800,000	-	-	2,800,000	2,800,000
T Turner	-	900,000	-	-	900,000	900,000
R Levin	-	600,000	-	-	600,000	600,000
B Maher	-	600,000	-	-	600,000	600,000
Other Key Management Personnel						
J Hamilton	-	150,000	-	-	150,000	150,000
K Bischoff	-	150,000	-	(150,000)	-	-
GV Ariti	-	600,000	-	-	600,000	600,000
Claire Tolcon	-	500,000		-	500,000	500,000
F Taylor	-	300,000	-	-	300,000	300,000
E von Puttkammer	-	300,000	-	-	300,000	300,000
	-	6,900,000	-	(150,000)	6,750,000	6,750,000

During the current year, 6,900,000 share options were issued to directors and key management personnel. The share options were issued for no consideration as part of their remuneration package. The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders on 30 November 2010.

The share options have been valued using the Black-Scholes option pricing model at a grant date.

2010	Balance 01-Jul-09	Granted as remuneration	Lapsed during the year	Balance 30-Jun-10	Vested and exercisable 30-Jun-10
	No.	No.	No.	No.	No.
Directors					
A Sage	-	-	-	-	-
T Turner	-	-	-	-	-
R Levin	-	-	-	-	-
B Maher	-	-	-	-	-
Other Key Management Personnel					
J Hamilton	1,500,000	-	(1,500,000)	-	-
K Bischoff	1,500,000	-	(1,500,000)	-	-
GV Ariti	3,000,000	-	(3,000,000)	-	-
F Taylor	-	-	-	-	-
E von Puttkammer	350,000	-	(350,000)	-	-
	6,350,000	-	(6,350,000)	-	-

6. SHARE-BASED PAYMENT ARRANGEMENTS

Share-based payments granted during the current year:

During the current year, 8,000,000 share options were issued to directors and key management personnel, employees and consultants to the Company. The share options were issued for no consideration as part of their remuneration package. The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders on 30 November 2010. The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The assessed fair value at grant date of options granted to Directors during the year ended 30 June 2011 was $0.10 per option. The model inputs for options granted to Directors during the year ended 30 June 2011 included:

(a) options were issued for no consideration with no vesting conditions attached.
(b) exercise price: $0.45
(c) grant date: 30 November 2010
(d) expiry date: 30 September 2011
(e) share price at grant date: $0.49
(f) expected price volatility of the company's shares: 38%
(g) expected dividend yield: 0.0%
(h) risk-free interest rate: 5%

The expected price volatility is based on the historic volatility based on the period 6 months pre grant date.

The assessed fair value at grant date of options granted to key management personnel, employees and consultants during the year ended 30 June 2011 was $0.10 per option. The model inputs for options granted to key management personnel, employees and consultants during the year ended 30 June 2011 included:

(a) options were issued for no consideration with no vesting conditions attached.
(b) exercise price: $0.45
(c) grant date: 17 December 2010
(d) expiry date: 30 September 2011
(e) share price at grant date: $0.50
(f) expected price volatility of the company's shares: 37%
(g) expected dividend yield: 0.0%
(h) risk-free interest rate: 5%

The expected price volatility is based on the historic volatility based on the period 6 months pre grant date.

Share-based payments granted during the prior year:

6,996,784 fully paid ordinary shares were issued to directors, key management personnel, employees and consultants to the Company during the year. The shares were issued for no consideration as part of their remuneration packages. The shares issued to directors were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 16 November 2009.

The shares were valued at the Company's share price of $0.50 on the date they were admitted to quotation on ASX. The shares were subject to escrow restrictions which came to an end on 30 June 2010. In valuing the shares, a discount for escrow restrictions was not taken into account. The value assigned to the shares issued amounted to $3,498,392.

Options outstanding at balance date:

There were 7,850,000 options outstanding at 30 June 2011 (2010: nil).

Reconciliation of options on issue

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

	2011		2010	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Balance at beginning of the financial year	**-**	**-**	36,350,000	0.337
Granted during the financial year (i)	**8,000,000**	**0.450**	-	-
Exercised during the financial year (ii)	**(150,000)**	**(0.450)**	(28,000,000)	(0.309)
Lapsed during the financial year (iii)	**-**	**-**	(8,350,000)	(0.432)
Balance at end of the financial year	**7,850,000**	**0.450**	-	-
Exercisable at end of the financial year	**7,850,000**	**0.450**	-	-

(i) During the current year, 8,000,000 shares options were issued at a weighted exercise price of $0.45.

(ii) During the current year, 150,000 (30 June 2010: 28,000,000) share options were exercised for a weighted average exercise price of $0.45 (30 June 2010:$0.309).

(iii) During the current year, no share options lapsed (30 June 2010: 8,350,000).

Rights attaching to options

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.

7. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Paid or payable to PricewaterhouseCoopers		
Audit or review of the consolidated financial reports	**185,000**	263,222
Paid or payable to Ernst & Young		
Audit of the financial reports of controlled entities	**29,696**	237,358
Paid or payable to Grant Thornton		
Audit of the financial reports of controlled entities	**-**	9,140
	214,696	509,720

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Trade and other receivables – current		
Trade debtors	**307,087**	487,774
GST recoverable and other debtors	**699,720**	978,377
Prepayments	**166,770**	158,976
Interest receivable	**754,311**	930,031
Deposit paid on asset purchase	**-**	1,000,000
Deferred consideration receivable	**2,500,000**	-
Loans to unlisted entities (a)	**2,400,000**	5,902,787
Loans to ASX-listed entities (b)	**3,226,017**	3,500,000
Provision for impairment of loans (including interest receivable) (c)	**(2,931,025)**	-
Funds in trust	**1,112,656**	1,133,674
	8,235,536	14,091,619
Trade and other receivable – non current		
Loans to unlisted entities (a)	**-**	2,400,000
Loans to ASX-listed entities (b)	**1,175,761**	2,886,537
Other	**-**	8,268
	1,175,761	5,294,805

(a) Current and non current loans to unlisted entities:

- The balance owing at 30 June 2011 includes an amount of $2,400,000 (30 June 2010: 2,400,000) 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 Company to convert the outstanding principal and any accrued interest balance at a conversion rate which results in the Company holding a 10% interest in the borrower's share capital post conversion. 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.
- An amount of $3,662,787 owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) was repaid in full during the year ended 30 June 2011.
- A convertible loan of $2,240,000 was repaid in full during the year ended 30 June 2011.

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

(b) Current and non current loans to ASX-listed entities

The amounts owing at balance date are made up as follows:

	Interest rate	Carrying value of loans 30 June 2011	Carrying value of loans 30 June 2010
		$	$
Current			
Convertible loan note of $2,000,000	12%	**1,693,841**	-
Convertible loan note of $2,000,000	10%	**1,098,667**	-
Loan of $3,500,000	12%	**-**	3,500,000
Fair value of loans at inception		**2,792,508**	3,500,000
Interest receivable recognised using the effective interest rate		**922,057**	-
Interest received at the coupon rate		**(488,548)**	-
Current carrying value at amortised cost at balance date		**3,226,017**	3,500,000
Non current			
Convertible loan note of $1,500,000	10%	**1,020,822**	1,020,822
Convertible loan note of $2,000,000	12%	**-**	1,693,841
Fair value of loans at inception		**1,020,822**	2,714,663
Interest receivable recognised using the effective interest rate		**446,309**	505,901
Interest received at the coupon rate		**(291,370)**	(334,027)
Non current Carrying value at amortised cost at balance date		**1,175,761**	2,886,537

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

c) Provision for impairment of loans (including interest receivable)

The recoverability of loans provided to ASX-listed and unlisted entities (including interest receivable) have been assessed for impairment as at 30 June 2011. A provision for impairment of $2,931,025 has been recognised in respect of a loan and accumulated interest that was due for repayment in August 2011 but remains outstanding as at the date of this report.

Risk Exposure

The Consolidated Entity's exposure to risk is discussed in more detail at Note 30.

9. OTHER FINANCIAL ASSETS

Financial Assets at Fair value through Profit or Loss

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Shares in listed entities	**17,725,237**	16,688,006
Conversion options (a)	**57,809**	220,780
Call options (b)	**342,390**	865,857
	18,125,436	17,774,643

Financial Assets Available-for-sale

Shares in unlisted entities (d)	**12,200,000**	8,860,000
Total Financial Assets	**30,325,436**	26,634,643

(a) Conversion options

During the current year, the Company advanced $2,000,000 (2010: $3,500,000) to ASX listed entities in the form of convertible loans. 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. Subsequent to their initial recognition, the conversion options have been measured at fair value, with any gains or losses being recognised in the statement of comprehensive income. Details are summarised below:

9. OTHER FINANCIAL ASSETS (CONTINUED)

a) Conversion options (continued)

2011	Interest rate	Option conversion price	No. of call options issued	Call option exercise price	Fair value of loan at inception[4]	Fair value of conversion option at inception	Fair value of call option at inception
					$	$	$
Loan note of $1,500,000	10%	$0.50[1]	-	-	1,020,821	479,179	-
Loan note of $2,000,000	12%	$0.30[3]	-	-	1,693,841	306,159	-
Loan note of $2,000,000	10%	$0.20[2]	-	-	1,098,667	901,333	
					3,813,329	1,698,671	-
Loss on fair value of options through profit and loss						(1,628,862)	-
Carrying value at 30 June 2011						**57,809**	**-**

[1] option conversion price is the lower of $0.50 or the VWAP over the 20 days prior to conversion. The minimum conversion price is set at $0.425.
[2] option conversion price is the volume weighted average closing price of the Company's Ordinary Shares as quoted on ASX over the last five (5) trading days immediately preceding delivering of a conversion notice less a discount of 20%.
[3]option conversion price is the higher of $0.30 or the VWAP over the 5 days prior to conversion.
[4] refer to note 8 for further details of the loan component of the convertible loan note.

2010	Interest rate	Option conversion price	No. of call options issued	Call option exercise price	Fair value of loan at inception[3]	Fair value of conversion option at inception	Fair value of call option at inception
					$	$	$
Loan note of $1,500,000	10%	$0.50[1]	-	-	1,020,821	479,179	-
Loan note of $2,000,000	12%	$0.30[2]	-	-	1,693,841	306,159	-
					2,714,662	785,338	-
Loss on fair value of options through profit and loss						(564,558)	-
Carrying value at 30 June 2010						**220,780**	**-**

[1] option conversion price is the lower of $0.50 or the VWAP over the 20 days prior to conversion. The minimum conversion price is set at $0.425.
[2] option conversion price is the higher of $0.30 or the VWAP over the 5 days prior to conversion.
[3] refer to note 8 for further details of the loan component of the convertible loan note.

(b) Call options

During the current year, the Company received call options in ASX listed entities. The call options have been fair valued using a Black-Scholes Option Pricing Model and have been recognised as financial assets at fair value through profit and loss. The gain on receipt of the options has been recognised in the Statement of Comprehensive Income. Subsequent to their initial recognition, the call options have been measured at fair value, with any gains or losses being recognised in the Statement of Comprehensive Income. Details are summarised below:

2011

No. of call options received	Call option exercise price	Call option expiry date	Fair value of call options at inception	Gain / (loss) on fair value of options through profit and loss	Fair value of call options at 30 June 2011
			$	$	$
10,000,000	$0.20	24/02/2012	691,655	(650,477)	**41,178**
1,583,334	$0.45	31/10/2012	74,670	(68,093)	**6,577**
4,400,000	$0.30	31/03/2013	52,896	229,905	**282,801**
2,000,000	$0.15	08/08/2012	19,335	(7,501)	**11,834**
			838,556	496,166	**342,390**

2010

No. of call options received	Call option exercise price	Call option expiry date	Fair value of call options at inception	Gain / (loss) on fair value of options through profit and loss	Fair value of call options at 30 June 2010
			$	$	$
10,000,000	$0.20	24/02/2012	691,655	(494,869)	**196,786**
35,000,000	$0.05	06/08/2013	1,792,675	(1,123,604)	**669,071**
			2,484,330	(1,618,473)	**865,857**

9. OTHER FINANCIAL ASSETS (CONTINUED)

(c) Conversion and call options exercised during the year

During the current year, a $3,500,000 loan note provided to an ASX listed company was repaid. In addition, the Company exercised the 35 million options it received pursuant to the loan note agreement and subsequently sold the shares. The loss on disposal has been recognised in the Statement of Comprehensive Income. Details are as follows:

2011	Total
	$
Value of options at inception	1,792,675
Gain / (loss) on fair value of options through profit and loss	(1,123,604)
Carrying value of options at 30 June 2010	669,071
Consideration received from sale of shares	2,240,000
Amount paid on exercise of call options	(1,750,000)
Carrying value of options at conversion	(669,071)
Loss on disposal	(179,071)

During the year ended 30 June 2010, the Company converted its loan to DMC Mining Ltd ("DMC Mining") and exercised its call options in DMC Mining. The Company also converted its loan to Cauldron Energy Limited during the year ended 30 June 2010. The gain on conversion was recognised in the Statement of Comprehensive Income. Details are as follows:

2010	Loans	Call options	Conversion options	Total
	$	$	$	$
Carrying value at 30 June 2009	2,370,070	508,319	4,706,715	7,585,104
Interest receivable recognised using the effective interest rate	63,245	-	-	63,245
Interest received at the coupon rate	(11,901)	-	-	(11,901)
Gain / (loss) on fair value of options through profit and loss		166,223	523,291	689,514
Carrying value on conversion	2,421,414	674,542	5,230,006	8,325,962
Fair value of ordinary shares received on conversion				11,321,535
Amount paid on exercise of call options				(750,000)
Carrying value of loans, call options and conversion options on conversion				(8,325,962)
Gain on conversion				2,245,573

(d) Shares in unlisted entities

Investments in unlisted entities are classified as available for sale financial assets. These are traded in inactive markets and are carried at cost because their fair values cannot be reliably measured. Management have assessed impairment and no indicators of impairment exist as at 30 June 2011.

(e) Impairment and Risk exposure

Refer to Note 30 for further details.

10. RESTRICTED CASH

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Current restricted cash		
Term deposits	**544,240**	25,257
Non current restricted cash		
Term deposits	**3,082,372**	1,466,716

Restricted cash relates to term deposits held with financial institutions as security for bank guarantees issued to:

(a) Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas; and
(b) Landlords of leased properties.

The term deposits are not readily accessible to the Cape Lambert Group.

Risk Exposure

The Cape Lambert Group's exposure to risk is discussed in Note 30.

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
Plant and Equipment		
At cost	**3,541,200**	1,989,970
Accumulated depreciation	**(670,573)**	(817,163)
	2,870,627	1,172,807
Leasehold Improvements		
At cost	**105,637**	105,338
Accumulated depreciation	**(105,637)**	(69,095)
	-	36,243
Total Property, Plant and Equipment	**2,870,627**	1,209,050

11. 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.

2011	Consolidated		
	Plant & Equipment	Leasehold Improvements	Total
	$	$	$
Balance at beginning of the year	**1,172,807**	**36,243**	**1,209,050**
Additions	**553,281**	**298**	**553,579**
Acquired through business combination	**1,704,645**	**-**	**1,704,645**
Disposed of through sale of controlled entity	**(258,024)**	**-**	**(258,024)**
Depreciation expense	**(302,082)**	**(36,541)**	**(338,623)**
Carrying amount at 30 June 2011	**2,870,627**	**-**	**2,870,627**

2010	Consolidated		
	Plant & Equipment	Leasehold Improvements	Total
	$	$	$
Balance at beginning of the year	8,893,109	26,278	8,919,387
Additions	1,128,210	56,652	1,184,862
Acquired through the acquisition of controlled entities	639,991	-	639,991
Disposals	(16,010)	-	(16,010)
Disposed of through sale of controlled entity	(9,132,862)	-	(9,132,862)
Depreciation expense	(339,631)	(46,687)	(386,318)
Carrying amount at 30 June 2010	1,172,807	36,243	1,209,050

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Exploration and evaluation phases – at cost	**242,987,407**	200,148,822
Movement in carrying amounts		
Brought forward	**200,148,822**	154,679,278
Exploration and evaluation expenditure capitalised during the year	**20,653,956**	11,790,230
Exploration assets acquired through a business combination	**8,305,185**	47,160,678
Exploration assets acquired (a)	**128,568,958**	62,751,753
Exploration expenditure impaired during the year (b)	**(36,591,446)**	-
Exploration assets sold during the year	**(78,098,068)**	(76,233,117)
Total exploration and evaluation phases	**242,987,407**	200,148,822

The value of the exploration expenditure is dependent upon:

- the continuance of the rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Certain of Cape Lambert's exploration properties may be subjected to claim(s) under native title, or contain sacred sites, or sites of significance to Indigenous people. As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

(a) Exploration assets acquired

During the year ended 30 June 2011, Cape Lambert increased its interest in Pinnacle Group Assets Limited ("Pinnacle") from 37.2% to 90.2%. The acquisition has been accounted for as an asset acquisition and the purchase consideration (paid and payable) has been attributed to Pinnacle's exploration projects.

In the prior year, Cape Lambert increased its interest in Marampa Iron Ore Ltd from 35% to 100%. The acquisition was accounted for as an asset acquisition and the purchase consideration was attributed to the various assets held by Marampa at the acquisition date.

(b) Impairment

During the year ended 30 June 2011, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation to the extent of $36,591,446. The impairment loss relates to Cape Lambert's 25% interest in the Lady Loretta project which was sold in March 2011 for $30,000,000.

13. INVESTMENTS IN ASSOCIATED ENTITIES

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Investments in associates accounted for using the equity method	**38,109,367**	66,785,069

(a) Investment details

	Percentage held at balance date		Consolidated	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Listed				
International Goldfields Limited (formerly Corvette Resources Limited)	28.7%	32.3%	**8,900,326**	14,880,060
Speewah Metals Limited (formerly NiPlats Australia Limited)	-	39.3%	**-**	5,578,900
Fe Limited	19.9%	17.0%	**2,068,991**	1,033,212
Cauldron Energy Limited	19.9%	18.6%	**1,336,437**	-
African Iron Limited	25.0%	-	**25,803,613**	-
Unlisted				
Pinnacle Group Assets Limited	90.2%	37.2%	**-**	45,292,897
			38,109,367	66,785,069

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

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Balance at beginning of period	**66,785,069**	38,384,711
Interest in associate acquired on conversion of convertible loan	**-**	34,822,200
Acquisition of shares in associates	**21,682,681**	40,355,469
Fair value of interest in associate acquired as consideration on disposal of controlled entity	**27,047,432**	-
Share of losses of associates recognised during the year	**(7,847,148)**	(3,400,210)
Share of reserves of associates recognised during the year	**831,975**	(244,996)
Interest in listed shares transferred to interest in associate	**4,951,654**	-
Interest in associate disposed of during the period	**(5,578,900)**	(10,421,053)
Interest in associate transferred to controlled entities during the period	**(65,344,338)**	(32,711,052)
Impairment loss (e)	**(4,419,058)**	-
	38,109,367	66,785,069

(c) Fair value of investments in listed associates

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

	30 June 2011	30 June 2010
	$	$
International Goldfields Limited (formerly Corvette Resources Limited)	**7,700,315**	11,799,464
Fe Limited (formerly Buka Gold Limited)[1]	**2,068,991**	1,391,480
Cauldron Energy Limited[1]	**1,859,508**	-
African Iron Limited	**28,800,000**	-
Speewah Metals Limited (formerly NiPlats Australia Limited)	**-**	6,337,500

[1] Although the Company holds less than a 20% interest in Fe Limited and Cauldron Energy Limited, these investments are equity accounted given the significant influence the Company has through Mr Sage's role on the Board's of these companies and the interchange of management personnel.

(d) Summarised financial information

The following table illustrates summarised financial information relating to listed associates:

	30 June 2011	30 June 2010
	$	$
Extract from statement of financial position at 100%:		
Assets	**199,125,045**	74,873,235
Liabilities	**19,121,709**	3,002,136
Extract from statement of comprehensive income at 100%:		
Revenue	**9,340,116**	3,666,538
Net Profit / Loss	**(27,638,798)**	(6,891,686)

The above financial information has been reported for investments in listed associates only. The financial information for unlisted associates is not publicly available and consequently has not been reported.

(e) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 30 June 2011. The market prices of some investments were below their carrying value for a prolonged period of time. As a result, the recoverable amount has been measured at fair value less cost to sell. Impairment losses of $4,419,058 have been recognised (2010: nil).

14. TRADE AND OTHER PAYABLES

Current	Consolidated 30 June 2011	30 June 2010
	$	$
Unsecured		
Trade payables	**3,565,437**	3,270,092
Deferred consideration payable (a)	**16,335,000**	-
Accrued takeover acceptances payments	**-**	22,233,433
Other creditors and accruals	**2,964,091**	7,338,689
	22,864,528	32,842,214

(a) Deferred consideration payable in cash on acquisition of Pinnacle Group Assets Limited is due on or before 31 December 2011.

Risk Exposure
The Cape Lambert Group's exposure to risk is discussed in Note 30.

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.

15. PROVISIONS

	Consolidated 30 June 2011	30 June 2010
	$	$
Current provisions		
Employee entitlements	**887,457**	52,085
Provision for dividend	**-**	43,803,183
	887,457	43,855,268
Non-current provisions		
Provision for site restoration and rehabilitation	**2,349,210**	-
Balance at beginning of year	**-**	11,922,606
Recognised pursuant to business combination	**2,349,210**	-
Derecognised on disposal of controlled entity	**-**	(11,922,606)
Balance at end of year	**2,349,210**	-

16. ISSUED CAPITAL

	Consolidated	
	30 June 2011	30 June 2010
	$	$
626,299,603 fully paid ordinary shares (2010: 625,759,256)	**167,528,846**	177,603,225

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Movement in ordinary shares on issue

2011	Ordinary fully paid shares	
	Number	$
Shares on issue at 1 July 2010	625,759,256	177,603,225
Shares issued on exercise of unlisted options (a)	150,000	67,500
On-market share buyback (b)	(54,059,653)	(31,921,879)
Shares issued as part consideration for the purchase of controlled entity (c)	54,450,000	21,780,000
Shares on issue at 30 June 2011	**626,299,603**	**167,528,846**

(a) On 10 February 2011, 150,000 shares were issued on the exercise of 150,000 unlisted options.

(b) On 22 February 2011, the Company completed the on-market share buy-back. A total amount of $31,921,879 was paid to buy-back 54,059,653 ordinary shares. Shares that have been bought back by the Company have been cancelled.

(c) On 16 June 2011, the Company completed the acquisition of shares in Pinnacle Group Assets Limited (Pinnacle) increasing its interest in Pinnacle to 90.2%.

16. ISSUED CAPITAL (CONTINUED)

Movement in ordinary shares on issue (continued)

2010	Ordinary fully paid shares	
	Number	$
Shares on issue at 1 July 2009	523,797,213	126,016,077
Shares issued as purchase consideration for associate under takeover bid (a)	5,825,807	2,912,905
Share based payment to directors, employees and consultants	6,996,784	3,498,392
Shares issued as purchase consideration for controlled entity (b)	3,976,729	2,147,380
Shares issued as purchase consideration for increased shareholding in associate resulting in it becoming a controlled entity (c), (d)	57,162,723	30,039,960
Shares issued on exercise of unlisted options	28,000,000	8,652,000
Tax effect of capital raising costs	-	(50,015)
Transfer from share based payments reserve (value at inception of options exercised)	-	2,212,000
Transfer from share based payments reserve (value at inception of options lapsed)	-	2,174,526
Shares on issue at 30 June 2010	625,759,256	177,603,225

(a) On 11 September 2009, the Company issued 5,825,807 fully paid ordinary shares to shareholders of Corvette Resources Limited pursuant to a takeover bid.

(b) On 25 November 2009, the Company issued 3,976,729 fully paid ordinary shares to Mojo Mining Ltd as purchase consideration for the acquisition of Mojo Minerals Pty Ltd.

(c) On 4 December 2009, the Company issued 24,569,934 fully paid ordinary shares to African Minerals Limited as the first tranche of shares issued as purchase consideration for the acquisition of Marampa Iron Ore Limited.

(d) On 29 January 2010, the Company issued 32,592,789 fully paid ordinary shares to African Minerals Limited as the final consideration for the acquisition of 100% of Marampa Iron Ore Limited.

Capital Risk Management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that it 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 Group monitors 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Total Trade and other payables	**22,864,528**	32,894,299
less: Cash and cash equivalents	**(43,096,285)**	(135,709,067)
Net (cash)/debt	**(20,231,757)**	(102,814,768)
Total equity	**336,042,800**	353,372,866
Total capital	**315,811,043**	250,558,098
Gearing ratio	**0%**	0%

17. RESERVES

	Consolidated 30 June 2011	30 June 2010
	$	$
Foreign currency translation reserve	**(1,099,712)**	(1,458,768)
Share based payments reserve	**1,828,484**	167,308
	728,772	(1,291,460)
Foreign currency translation reserve		
Balance at beginning of financial year	**(1,458,768)**	-
Foreign currency exchange differences arising on translation of foreign operation	**390,980**	(1,046,464)
Share of movement of associate's foreign currency translation reserve	**(31,924)**	(412,304)
Balance at end of financial year	**(1,099,712)**	(1,458,768)
Share based payments reserve		
Balance at beginning of financial year	**167,308**	4,386,526
Share of movement of associate's share based payments reserve	**863,899**	167,308
Options issued	**797,277**	-
Options exercised	**-**	(2,212,000)
Options lapsed	**-**	(2,174,526)
Balance at end of financial year	**1,828,484**	167,308

Nature and Purpose of Reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

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 consultants.

18. RETAINED EARNINGS

	Consolidated 30 June 2011	30 June 2010
	$	$
Balance at beginning of financial year	**166,932,887**	138,487,994
Profit / (loss) for the year	**(11,846,271)**	72,248,076
Dividend declared	**-**	(43,803,183)
Balance at end of financial year	**155,086,616**	166,932,887

19. EARNINGS PER SHARE

	2011	2010
	Cents per Share	Cents per Share
Basic earnings / (loss) per share (a)	**(1.96)**	12.66
Diluted earnings / (loss) per share (b)	**(1.96)**	12.20

(a) Basic Earnings per Share

The profit / (loss) and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	30 June 2011	30 June 2010
	$	$
Profit / (loss) for the year	**(11,846,271)**	72,248,076

	2011	2010
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**604,895,179**	570,630,987

(b) 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:

	30 June 2011	30 June 2010
	$	$
Profit / (loss) for the year	**(11,846,271)**	72,248,076

	2011	2010
	Number	Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share (c)	**604,895,179**	592,263,864

(c) Weighted average number of shares

	2011	2010
	Number	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**604,895,179**	570,630,987
Effect of dilution:		
Share options	**-**	21,632,877
	604,895,179	592,263,864

There are no instruments excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for either of the periods presented.

Since 30 June 2011 and the date of completion of these financial statements, 5,200,000 share options have been exercised for total consideration of $2,340,000.

20. COMMITMENTS

	Consolidated 30 June 2011 $	Consolidated 30 June 2010 $
OPERATING LEASE COMMITMENTS		
Minimum lease payments not provided for in the financial report and payable:		
not later than one year	**708,610**	754,992
later than one year but not later than five years	**3,387**	640,688
later than five years	**-**	-
Aggregate expenditure contracted for at balance date but not provided for	**711,997**	1,395,680

(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. During the prior year, the lease was extended to 30 June 2011 and during the current year this lease was extended by a further 12 months to 30 June 2012.

(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) Cape Lambert Minsec Pty Ltd (a wholly owned subsidiary of the Company) has a lease obligation for office premises located in Golden Square, London. The lease of these premises terminates on 3 July 2012.

In June 2011, the Company entered into a $2 million loan standby facility agreement ("Facility") with Fe Limited. Cape Lambert is a substantial shareholder in Fe Limited and currently holds a 19.9% interest. Pursuant to the terms of the Facility, Fe Limited will have access to $2 million, and any amounts drawn down will be payable in full 18 months from the date of execution of the Facility agreement. Interest is payable on the amounts drawn down under the facility at the cash rate plus 3%. Any funds received by Fe Limited from sales of assets or capital raisings must first be used to reduce funds drawn down under the facility. No amounts had been drawn down as at 30 June 2011.

Cape Lambert advanced $6.5 million to Chameleon Mining NL ("Chameleon") which served as a loan facility. In March 2011, the $6.5 million advance was repaid to Cape Lambert as a consequence of a favourable outcome of Chameleon's appeal against International Litigation Partners Pte Ltd. The facility is still available for draw down by Chameleon for the appeal lodged by International Litigations Partners Pte Ltd.

20. COMMITMENTS (CONTINUED)

MINERAL TENEMENT DISCRETIONARY COMMITMENTS

In order to maintain current rights of tenure to mining tenements, the Cape Lambert Group 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	
	30 June 2011	30 June 2010
	$	$
Not longer than one year	**11,875,868**	5,693,955
Longer than one year, but not longer than five years	**18,188,867**	4,105,221
Longer than five years	**35,795**	-
	30,100,530	9,799,176

If the Cape Lambert Group decides to relinquish certain leases and/or does not meet these obligations, assets recognised in the statement of financial position 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.

21. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2011, the Cape Lambert Group has the following contingent liabilities and contingent assets:

	Consolidated	
	30 June 2011	30 June 2010
	$	$
Contingent Assets		
Consideration receivable in relation to the sale of the Cape Lambert Project[1]	**80,000,000**	80,000,000
Consideration receivable in relation to the sale of the Lady Annie Project[2]	**2,500,000**	5,000,000
Contingent Liabilities		
Commission payable in relation to the sale of the Cape Lambert Project[1]	**(7,600,000)**	(7,600,000)

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

In September 2010, the Company commenced legal action to recover the final payment owing. As at 30 June 2011, the final payment of $80,000,000 had not been received. Given the uncertainty surrounding the receipt of this final payment, the Company has not recognised the final payment owing as a receivable.

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

2 During the year ended 30 June 2010, the Company disposed of 100% of its interest in Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, to China Sci-Tech Holdings Limited, a Hong Kong listed Company, for $135 million. The purchase consideration includes two contingent payments of $2.5 million each, which are payable once certain production and reserve related milestones are achieved. The Company has recognised the first contingent payment of $2.5 million as a receivable as at 30 June 2011 however given that it is not certain that the remaining production and reserve related milestones will be achieved, the Company has not recognised the final contingent payment as a receivable.

There are no other material contingent liabilities to be disclosed.

22. BUSINESS COMBINATION

a) Current year - Leichhardt Copper Project

On 18 August 2010, the Company, through its wholly owned subsidiary, Cape Lambert Leichhardt Pty Ltd, completed the acquisition of 100% of the Leichhardt Copper Project from Matrix Metals Limited (Subject to Deed of Company Arrangement) (Receivers and Managers Appointed) (In Liquidation). Payment on completion amounted to $6,645,566 in addition to the deposit of $1,000,000 paid in November 2009.

The provisional goodwill or gain on bargain purchase arising from a business combination results when comparing the assessment of the acquired identifiable assets, liabilities and contingent liabilities to the cost of the acquisition. Any gain on bargain purchase is recognised in the statement of comprehensive income.

No goodwill or gain on bargain purchase amounts have arisen in relation to the Leichhardt Copper Project as set out below:

	$
Deposit cash paid	1,000,000
Settlement cash paid	6,645,566
Total purchase consideration	7,645,566
Share of fair value of net identifiable assets acquired (refer to (i) below)	7,645,566
Goodwill / (gain on bargain purchase)	-

(i) SUMMARY OF ASSETS AND LIABILITIES ACQUIRED

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

	Fair value[1]
	$
Inventory – consumables and spares	95,000
Property, plant & equipment	1,704,645
Exploration assets	8,299,565
Total assets	10,099,210
Provision for employee benefits	(104,434)
Provision for rehabilitation	(2,349,210)
Total liabilities	(2,453,644)
Provisional fair value of identifiable net assets	7,645,566
Net assets acquired	**7,645,566**

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

(ii) SUMMARY OF CASH OUTFLOW

The impact on the Consolidated Entity's cash flow in the current year is set out below:

	$
Settlement cash paid	6,645,566
Outflow of cash - investing activity during the year ended 30 June 2011	6,645,566

Acquisition related costs of $76,460 were incurred during the current year are included within consulting expenses in the Statement of Comprehensive Income.

(iii) CONTRIBUTION TO REVENUES AND PROFITS

The acquired business did not contribute any revenues and contributed a loss of $1,885,085 to the Consolidated Entity for the period from 18 August 2010 to 30 June 2011. The contributed loss to the Consolidated Entity for the period 1 July 2010 to 30 June 2011 is unknown as there is no access to the accounting records prior to completion of the acquisition.

b) Prior year – DMC Mining

In July 2009, the Company converted a $2 million note in DMC Mining and exercised 5 million DMC Mining options to acquire a 36% interest in DMC Mining.

In March 2010, the Company launched a takeover bid for DMC Mining. At 30 June 2010, Cape Lambert had obtained a controlling interest of 79% in DMC Mining.

Up until the point that Cape Lambert obtained control of DMC Mining, it equity accounted for its investment. As required by AASB 3 "Business Combinations", Cape Lambert fair valued its equity interest in DMC Mining at the point at which control was obtained and recognised the following gain in the statement of comprehensive income for the year ended 30 June 2010:

	$
Equity interest in DMC Mining at beginning of reporting period	-
Shares acquired during the year	6,440,000
Share of losses after tax	(1,420,209)
Equity accounted carrying value at date control over DMC Mining obtained	5,019,791
Gain recognised in the statement of comprehensive income	11,283,009
Fair value of investment in DMC Mining on date control obtained	16,302,800

No goodwill or gain on bargain purchase amounts were recognised in relation to the DMC Mining acquisition in the year ended 30 June 2010 as set out below:

	$
Cash purchase price pursuant to take over bid	22,253,125
Fair value of investment in DMC Mining on date control obtained	16,302,800
Total purchase consideration	38,555,925
Share of fair value of net identifiable assets acquired (refer to (i) below)	38,555,925
Goodwill / (gain on bargain purchase)	-
Purchase price for takeover bid acceptances received to 30 June 2010	22,253,125
Less: amounts unpaid as at 30 June 2010	22,233,433
Outflow of cash - investing activity during the year ended 30 June 2010	19,692

22. BUSINESS COMBINATION (CONTINUED)

b) Prior year – DMC Mining (continued)

(i) SUMMARY OF ASSETS AND LIABILITIES ACQUIRED

The fair values of the assets and liabilities arising from business combination at 30 June 2010 are set our below:

	Fair value[1]
	$
Cash and cash equivalents	2,264,514
Trade and other receivables	229,181
Property, plant & equipment	240,858
Exploration assets	47,160,678
Total assets	49,895,231
Trade and other payables	(1,178,502)
Provision for employee benefits	(32,590)
Total liabilities	(1,211,092)
Provisional fair value of identifiable net assets	48,684,139
Attributable to minority interests[2]	(10,128,214)
Net assets acquired	**38,555,925**

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

2. In accordance with the accounting policy set out in note 2(u), the Consolidated Entity elected to recognise the non-controlling interests in DMC Mining at its proportionate share of the acquired net identifiable assets.

(ii) SUMMARY OF CASH OUTFLOW

The impact on the Consolidated Entity's cash flow in the year ended 30 June 2010 is set out below:

	$
Purchase consideration for takeover bid acceptances received to 30 June 2010	22,253,125
Less: amounts unpaid as at 30 June 2010	(22,233,433)
Outflow of cash - investing activity during the year ended 30 June 2010	19,692

Acquisition related costs of $47,430 were incurred during the prior year and were included within consulting expenses in the Statement of Comprehensive Income for the year ended 30 June 2010.

(iii) CONTRIBUTION TO REVENUES AND PROFITS

No amounts were contributed by DMC Mining to the Consolidated Entity's revenues and profits for the year ended 30 June 2010. Had Cape Lambert obtained control over DMC Mining at the beginning of the 2010 financial year, it would have recognised a loss of $3,145,515 in its statement of comprehensive income, being its share of the loss reported by DMC Mining for the year of $3,981,665.

c) DMC Mining – completion of acquisition

On 20 August 2010, the Company completed the 100% acquisition of DMC Mining pursuant to a takeover bid which commenced in March 2010. As at 30 June 2010, Cape Lambert had obtained control over DMC Mining with a 79% interest and had recognised an accrual of $22,233,433 for takeover acceptances received and a non controlling interest of $10,134,440.

The impact on the Consolidated Entity's cash flow to finalise the acquisition of DMC Mining is set out below:

	$
Takeover bid acceptances received and paid in the year ended 30 June 2010 refer to note (b) above	19,692
Current year payment pursuant to prior year business combination	22,233,433
Current year transactions with non-controlling interests to complete the 100% acquisition of DMC Mining	10,134,440
	32,387,565

Acquisition related costs of $36,362 were incurred during the current year are included within consulting expenses in the Statement of Comprehensive Income.

23. DISPOSAL OF CONTROLLED ENTITY

a) Current year

On 10 January 2011, the Company completed the sale of wholly owned subsidiary DMC Mining Ltd ("DMC Mining") to African Iron Limited ("African Iron"). The Company received $47 million in cash and 120 million African Iron shares which equates to a 25% interest in African Iron. In addition, Cape Lambert will receive a production royalty of $1 per tonne of iron ore shipped.

The profit on sale of DMC Mining recognised in the consolidated statement of comprehensive income is comprised as follows:

	$
Cash proceeds received	47,000,000
Fair value of shares received in African Iron	36,000,000
	83,000,000
Less: Carrying value of investment in DMC Mining	(47,189,727)
Less: Profit deferred as a consequence of retaining 25% interest in African Iron.	(8,952,568)
Profit on disposal	26,857,705

b) Prior year

In August 2009 the Company announced its intention to sell down its interest in Lady Annie via an initial public offering ("IPO") with the appointment of Patersons Securities Limited as Lead Manager. Q Copper Australia Limited was incorporated for the purposes of the IPO and a prospectus was lodged with ASIC on 16 November 2009.

In December 2009, the IPO closing date was extended to 3 February 2010. Due to adverse market conditions in late January/early February 2010, the IPO was withdrawn and deferred until market conditions improved. The Company confirmed via an ASX announcement dated 3 February 2010 that near mine and regional exploration drilling would proceed as planned, and that the Company would consider superior trade sale propositions.

On 12 March 2010, the Company released an ASX announcement advising that it had executed a formal agreement to sell 100% of the shares in Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, for $135 million to China Sci-Tech Holdings Limited, a Hong Kong listed Company. The purchase consideration includes two contingent payments of $2.5 million each, which are payable once certain production and reserve related milestones are achieved.

The sale of Cape Lambert Lady Annie Exploration Pty Ltd was successfully completed on 31 May 2010.

The profit on sale of Cape Lambert Lady Annie Exploration Pty Ltd recognised in the consolidated statement of comprehensive income is comprised as follows:

	$
Proceeds received	130,000,000
Less: net assets of Cape Lambert Lady Annie Exploration Pty Ltd at date of disposal	(44,777,931)
Profit on disposal	85,222,069

24. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest 2011 %	Ownership Interest 2010 %
Parent entity			
Cape Lambert Resources Limited	Australia	-	-
Subsidiaries			
International Goldfields (Romania) Pty Ltd	Australia	100%	100%
Dempsey Resources Pty Ltd	Australia	100%	100%
Evanston Resources NL	Australia	100%	100%
Mt Anketell Pty Ltd	Australia	100%	100%
Cape Lambert Minsec Pty Ltd	Australia	100%	100%
Cape Lambert Projects Pty Ltd	Australia	100%	100%
Cape Lambert Leichhardt Pty Ltd	Australia	100%	100%
Mineral Securities Limited	British Virgin Islands	100%	100%
Minsec Investments (BVI) Limited	British Virgin Islands	100%	100%
Mineral Securities (UK) Ltd	UK	100%	100%
Andalucia Mineral Services Limited	UK	100%	100%
MS Corporate Director Limited	UK	100%	100%
MS Corporate Secretary Limited	UK	100%	100%
Scarborough Minerals (Australia) Pty Ltd	Australia	100%	100%
Scarborough Minerals (Finance) Ltd	UK	100%	100%
Scarborough Minerals Overseas Holdings Ltd	UK	100%	100%
Scarborough Minerals International BV	Netherlands	100%	100%
Greenwich Resources (CR)	Czech Republic	100%	100%
Kyprou Gold Limited	UK	100%	100%
Thrace Minerals Exploration & Mining SA	Greece	100%	100%
Thrace Investments BV	Netherlands	100%	100%
Scarborough NL	Australia	100%	100%
Sierra Minerals Limited	UK	100%	100%
Sierra Exploration SA	Chile	100%	100%
Danae Resources Pty Ltd	Australia	100%	100%
Manor Resources NL	Australia	100%	100%
Multiplex Development Zarmitan Limited	UK	100%	100%
Buka Minerals Pty Ltd	Australia	100%	100%
Buka Technologies Pty Ltd	Australia	100%	100%
Kadina Pty Ltd	Australia	100%	100%
Buka Minerals (Projects) Pty Ltd	Australia	100%	100%
Minsec Investment Holdings (BVI) Limited	British Virgin Islands	100%	100%
Mineral Securities Investments (Australia) Pty Ltd	Australia	100%	100%
Mineral Securities Operations Limited	Australia	100%	100%
Copperwell Pty Ltd	Australia	100%	100%
CopperCo Minerals Pty Ltd	Australia	100%	100%
Millennium Minerals Operations Pty Ltd	Australia	100%	100%
Allied Mining Pty Ltd	Australia	100%	100%
Australian Ferroalloys Pty Ltd	Australia	100%	100%
Goodwest Investments Pty Ltd	Australia	100%	100%
Cuesta Resources (BVI) Limited	British Virgin Islands	100%	100%
Algarrobo Holdings (BVI) Limited	British Virgin Islands	100%	100%
Q Copper Australia Limited	Australia	90%	90%

24. SUBSIDIARIES (CONTINUED)

		Ownership Interest	
Name of Entity	Country of Incorporation	2011 %	2010 %
Q Copper (BVI) Limited	British Virgin Islands	100%	100%
Lady Annie Limited[1]	British Virgin Islands	-	100%
Australis Exploration Limited	Australia	100%	100%
Mojo Mining Pty Ltd	Australia	100%	100%
Mineral Securities (China) Pty Ltd	Australia	100%	100%
Mineral Securities (NK) Pty Ltd	Australia	100%	100%
Mineral Securities Hong Kong (NK) Limited	Hong Kong	88%	88%
Platmin Holdings Pty Ltd	Australia	100%	100%
Mineral Securities (SA) P/L	South Africa	83.3%	83.3%
Mineral Securities Holdings Pty Ltd	Australia	100%	100%
Marampa Iron Ore (Bermuda) Limited	Bermuda	100%	100%
Marampa Iron Ore (SL) Limited	Sierre Leone	100%	100%
Mineral Assets Limited	Australia	100%	-
Mineral Assets (Bermuda) Limited	Bermuda	100%	-
African Minerals Exploration Limited	Australia	100%	-
Mineral Exploration (Bermuda) Limited	Bermuda	100%	-
Metals Exploration (Australia) Limited	Australia	100%	-
Metals Exploration (Bermuda) Limited	Australia	100%	-
Metals Exploration (Guinea) Limited SA	Guinea	100%	-
Metals Exploration (Mauritius) Limited	Mauritius	100%	-
Pinnacle Group Assets Limited	British Virgin Islands	90.2%	-
Pinnacle Group Assets (SL) Limited	Sierra Leone	90.2%	-
DMC Mining Ltd	Australia	-	79.20%

[1] De-registered during the current year.

25. SEGMENT INFORMATION

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team in assessing performance and in determining the allocation of resources. The Consolidated Entity has one main operating segment being mineral exploration which comprises the costs associated with acquiring mineral assets, the costs incurred in carrying out exploration work at key projects and the costs incurred and any revenues generated from investments in junior exploration companies in the form of either equity investments or convertible loan notes.

	Mineral Exploration		Other		Total	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	$	$	$	$	$	$
Sales	**-**	6,512,922	**-**	-	**-**	6,512,922
Interest received	**1,717,110**	2,690,505	**2,616,048**	2,400,585	**4,333,158**	5,091,090
Rental income	**-**	-	**198,659**	28,671	**198,659**	28,671
Other revenue	**-**	-	**31,903**	313,409	**31,903**	313,409
Total segment revenue	**1,717,110**	9,203,427	**2,846,610**	2,742,665	**4,563,720**	11,946,902
Segment net operating profit / (loss) after tax	**(16,137,011)**	66,226,738	**4,290,740**	6,021,338	**(11,846,271)**	72,248,076
Segment net operating profit after tax includes the following significant items:						
Interest and other finance charges	**(115,560)**	(1,148,482)	**-**	-	**(115,560)**	(1,148,482)
Share of losses of associate	**(7,847,148)**	(3,400,210)	**-**	-	**(7,847,148)**	(3,400,210)
Profit on disposal of controlled entity	**26,857,705**	85,222,069	**-**	-	**26,857,705**	85,222,069
Gain on recognising fair value of associate before it became a controlled entity	**-**	11,283,009	**-**	-	**-**	11,283,009
Gain/(loss) on fair value of financial assets through profit & loss	**(2,407,046)**	(5,074,817)	**1,444,130**	3,278,673	**(962,916)**	(1,796,144)
Profit on disposal of financial assets	**5,210,596**	6,434,307	**-**	-	**5,210,596**	6,434,307
Gain on equity instruments received	**396,395**	-	**-**	-	**396,395**	-
Profit on disposal of associates	**8,621,099**	2,042,814	**-**	-	**8,621,099**	2,042,814
Gain on conversion of loan note	**-**	2,245,573	**-**	-	**-**	2,245,573
Depreciation	**(338,623)**	(386,318)	**-**	-	**(338,623)**	(386,318)
Provision for impairment of loans	**(2,931,025)**	-	**-**	-	**(2,931,025)**	-
Impairment of capitalised exploration	**(36,591,446)**	-	**-**	-	**(36,591,446)**	-
Impairment of investment in associate	**(4,419,058)**	-	**-**	-	**(4,419,058)**	-

25. SEGMENT INFORMATION (CONTINUED)

	Mineral Exploration		Other		Total	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
	$	$	$	$	$	$
Segment assets	**351,855,944**	436,290,768	**18,721,200**	15,074,280	**370,577,144**	451,365,048
Segment assets include:						
Capitalised exploration expenditure	**242,987,407**	200,148,822	**-**	-	**242,987,407**	200,148,822
Investments in associates	**38,109,367**	66,785,069	**-**	-	**38,109,367**	66,785,069
Financial assets	**11,604,236**	11,560,363	**18,721,200**	15,074,280	**30,325,436**	26,634,643
Other assets	**59,154,934**	157,796,514	**-**	-	**59,154,934**	157,796,514
	351,855,944	436,290,768	**18,721,200**	15,074,280	**370,577,144**	451,365,048
Segment liabilities	**(31,230,563)**	(95,612,714)	**(3,303,781)**	(2,379,468)	**(34,534,344)**	(97,992,182)
Cash flow information						
Net cash in/(out) from operating activities	**(16,678,071)**	(24,959,592)	**2,035,309**	(21,471,123)	**(14,642,762)**	(46,430,715)
Net cash in/(out) from investing activities	**10,298,213**	114,362,200	**(2,312,834)**	-	**7,985,379**	114,362,200
Net cash in/(out) from financing activities	**(10,134,440)**	(14,933,121)	**(75,657,562)**	8,652,000	**(85,792,002)**	(6,281,121)

Segment information by geographical region

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

	Consolidated Entity	
	30 June 2011	30 June 2010
	$	$
Australia	**56,246,472**	93,826,261
United Kingdom	**1,255**	110,537
Africa	**213,032,588**	159,518,958
Greece	**14,687,084**	14,687,084
	283,967,399	268,142,841

All sales revenue reported by the Consolidated Entity has been generated in Australia.

26. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Cape Lambert Resources Limited and the subsidiaries listed in note 24.

(b) Ultimate parent

The ultimate Australian parent entity is Cape Lambert Resources Limited

(c) Transactions with related parties

During the year, the following transactions with related parties occurred:

- Hewitt, Turner & Gelevitis, a company of which Timothy Turner is a director, provided accounting consultancy services for $1,046 (including GST) (2010: $120).
- Cape Lambert Resources Limited provided accounting and corporate advisory services and recouped expenditure incurred on behalf of African Petroleum Corporation Limited, a company of which Tony Sage and Timothy Turner are directors, for $92,670 (2010:$128,179) (including GST).
- Cape Lambert Resources Limited provided accounting and corporate advisory services and recouped expenditure incurred on behalf of International Petroleum Limited, a company of which Tony Sage and Timothy Turner are directors, for $76,546 (2010: $161,375) (including GST).
- Cape Lambert Resources Limited recouped expenditure amounting to $56,829 incurred by Cape Lambert Resources Limited on behalf of Fe Limited, a company of which Tony Sage is a director (2010: $17,902).
- Cape Lambert Resources Limited recouped expenditure amounting to $57,463 incurred by Cape Lambert Resources Limited on behalf of Cauldron Energy Limited, a company of which Tony Sage is a director (2010: $28,376).
- Cape Lambert Resources Limited recouped expenditure amounting to $57,938 incurred by Cape Lambert Resources Limited on behalf of International Goldfields Limited , a company of which Tony Sage is a director (2010: $48,811).
- Cape Lambert Resources Limited recouped expenditure amounting to $289,238 incurred by Cape Lambert Resources Limited on behalf of Chameleon Mining NL, a company of which Tony Sage is a director (2010: nil).
- Cape Lambert advanced $6.5 million to Chameleon which served as a loan facility, and Cape Lambert participated to the extent of $2 million in a placement conducted by Chameleon. In March 2011, the $6.5 million advance was repaid.
- Cape Lambert paid $5,223 (2010: $2,727) to PG Partnerships Pty Ltd, an entity related to Tony Sage for the sponsorship of the Perth Glory Football Club.
- Cape Lambert Resources Limited recouped expenditure amounting to $4,919,459 incurred by Cape Lambert Resources Limited on behalf of African Iron Limited, a company of which Tony Sage is a director (2010: nil).

26. RELATED PARTY DISCLOSURES (CONTINUED)

c) Transactions with related parties (continued)

- Cape Lambert Resources Limited purchased 4,314,856 shares in African Petroleum Corporation Limited, a company of which Tony Sage and Timothy Turner are directors, for $3,455,617.
- Cape Lambert Resources Limited sold 7,089,014 shares in African Petroleum Corporation Limited, a company of which Tony Sage and Timothy Turner are directors, for $5,816,909.
- Cape Lambert Resources Limited purchased 4,371,910 shares in International Petroleum Limited, a company of which Tony Sage and Timothy Turner are directors, for $1,164,461.
- Cape Lambert Resources Limited sold 3,368,500 shares in International Petroleum Limited, a company of which Tony Sage and Timothy Turner are directors, for $990,333.
- Cape Lambert Resources Limited purchased 2,200,000 shares in International Goldfields Limited, a company of which Tony Sage is a director, for $155,806.
- Cape Lambert Resources Limited purchased 6,118,435 shares in Fe Limited, a company of which Tony Sage is a director, for $1,081,074.
- Cape Lambert Resources Limited purchased 1,204,087 shares in Cauldron Energy Limited, a company of which Tony Sage is a director, for $394,361.
- Cape Lambert subscribed to a $2 million convertible note in Cauldron Energy Limited, a company of which Tony Sage is a director.

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

(d) Key management personnel

Disclosures relating to key management personnel are set out in note 5.

27. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2011:

» On 18 August 2011, the Company announced the signing of a binding heads of agreement with Glory Resources Limited (ASX: GLY) ("Glory Resources") for the sale of the Sappes Gold Project for a total consideration of $46.5 million. Pursuant to the terms of the Heads of Agreement, Glory Resources will satisfy the consideration with $32.5 million in cash on completion of the acquisition, 16,000,000 shares in Glory Resources on completion of the acquisition, $5 million in cash or Glory Resources Shares (at the election of Glory Resources), on the granting of an operating permit (or equivalent) in respect of the Sappes Project, and $5 million in cash or Glory Resources Shares (at the election of Glory Resources), upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper concentrate and/or silver metal) from the Sappes Project. The acquisition of the Sappes Project by Glory Resources is subject to a number of conditions including government approvals, Glory resources obtaining its shareholders' approval for the acquisition, Glory Resources re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing a capital raising of $42.5 million. All conditions must be satisfied or waived by 31 December 2011 with completion of the acquisition to take place 5 business days thereafter.

» On 9 September 2011, the Company announced the increase in its interest in Pinnacle Group Assets Limited ("Pinnacle") to 100%. Consideration for the remaining 9.8% of Pinnacle will comprise of $5 million in cash and the issue of 20,672,189 Cape Lambert shares.

Other than the above, no event has arisen since 30 June 2011 that would be likely to materially affect the operations of the Cape Lambert Group, or its state of affairs which have not otherwise been disclosed in this financial report.

28. 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. 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	
	30 June 2011	30 June 2010
	$	$
Cash and cash equivalents		
Cash in banks and on hand	**22,859,331**	12,938,935
Deposits at call	**20,236,954**	122,770,132
	43,096,285	135,709,067

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

(Loss) / Profit from ordinary activities	**(11,846,271)**	72,248,076
Adjusted for non cash items:		
Gain on disposal of financial assets through profit & loss	**(5,210,596)**	(6,434,307)
Loss on disposal of financial asset	**179,071**	-
Gain on disposal of associates	**(8,621,099)**	(2,042,814)
Gain on recognising fair value of associate before it became a controlled entity	**-**	(11,283,009)
Gain on disposal of restricted securities by Receiver of CopperCo Limited (In Liquidation) (Receiver and Manager appointed)	**-**	(219,264)
Gain on conversion of convertible note	**-**	(2,245,573)
Gain on equity instruments received	**(396,395)**	(2,484,330)
Gain on recognition of deferred consideration	**(2,500,000)**	-
Loss on fair value of financial assets through profit & loss	**962,916**	1,796,144
Amortisation of work in progress	**-**	3,080,374
Interest income on loan facilities deferred	**445,891**	(537,787)
Non cash element of interest income recognised using the effective interest rate method	**(862,465)**	(223,218)
Shares received as payment for interest on loan	**(190,696)**	-
Depreciation and amortisation of non-current assets	**338,623**	386,318
Share of losses of associates	**7,847,148**	3,400,210
Impairment of investment in associate	**4,419,058**	-
Equity settled share-based payment	**797,277**	3,498,392
Impairment of capitalised exploration	**36,591,446**	-
Provision for impairment of loans	**2,931,025**	-
Profit on disposal of controlled entity	**(26,857,705)**	(85,222,069)
Exclusivity payment included in investing activities	**(250,000)**	-
Other	**25,257**	-
Changes in net assets and liabilities, net of effects from business combination acquisitions:		
(Increase)/decrease in trade and other receivables	**595,525**	986,468
(Increase)/decrease in inventories	**(55,113)**	306,515
Increase / (decrease) in deferred tax balances	**(13,826,804)**	943,826
Increase / (decrease) in trade and other payables	**(417,465)**	1,774,618
Increase / (decrease) in income tax payable	**1,258,610**	(24,159,186)
Net cash used in operating activities	**(14,642,762)**	(46,430,715)

(c) Non-Cash Activities

CURRENT YEAR

On 10 January 2011, 120,000,000 shares in African Iron Limited (ASX: AKI) were received as part consideration for the sale of DMC Mining Ltd valued at $36,000,000.

On 16 June 2011, 54,450,000 fully paid ordinary shares were issued as part consideration for the acquisition of a further 42.8% interest in Pinnacle Group Assets Limited. The share price on the date the shares were issued was $0.40. Consequently a share based payment of $21,780,000 was recognised.

PRIOR YEAR

6,996,784 fully paid ordinary shares were issued to directors, key management personnel and consultants to the Company during the year. The shares were issued for no consideration as part of their remuneration packages. The shares were valued at $3,678,419.

In September 2009, 5,825,807 fully paid ordinary shares were issued to shareholders of Corvette Resources Limited pursuant to a takeover bid. The shares were valued at $2,912,905.

In November 2009, 3,976,729 fully paid ordinary shares were issued as consideration for the purchase of Mojo Minerals Limited which holds tenements in the southern block of Mt Isa, Queensland. The shares were valued at $2,147,380.

In December 2009, 24,569,934 fully paid ordinary shares were issued to African Minerals Limited as part consideration for the acquisition of an additional 65% of Marampa Iron Ore Limited, taking the Company's interest in Marampa Iron Ore Limited to 100%. The shares were valued at $13,417,640.

In January 2010, 32,592,789 fully paid ordinary shares were issued to African Minerals Limited as the final consideration for the acquisition of 100% of Marampa Iron Ore Limited. The shares were valued at $16,622,320.

In February 2010, the merger of Tianshan Goldfields Limited ("Tianshan") and Corvette Resources Limited was completed and the Company received 2 Tianshan shares for every 1 Corvette share it held. A gain of $3,748,816 was recognised on the disposal of the Consolidated Entity's Corvette shares. The merged entity subsequently changed its name from Tianshan Goldfields Limited to Corvette Resources Limited.

29. DIVIDENDS PAID AND PROPOSED

	30 June 2011	30 June 2010
	$	$
Declared and paid during the year:		
Dividends on ordinary shares:		
Paid: franked dividend for 2010: 7.0c per share	**43,803,183**	-
Declared: franked dividend for 2010: 7.0c per share	**-**	43,803,183
	43,803,183	43,803,183

30. FINANCIAL RISK MANAGEMENT

The Cape Lambert Group'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 Cape Lambert Group'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 Cape Lambert Group. The Cape Lambert Group 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.

The Cape Lambert Group holds the following financial instruments:

	30 June 2011	30 June 2010
	$	$
Financial assets:		
Cash and cash equivalents	**43,096,285**	135,709,067
Restricted cash	**3,626,612**	1,491,973
Trade and other receivables	**9,411,297**	19,386,424
Other financial assets	**30,325,436**	26,634,643
	86,459,630	183,222,107
Financial liabilities:		
Trade and other payables	**22,864,528**	32,894,299
	22,864,528	32,894,299

(a) Market Risk

(i) FOREIGN CURRENCY RISK

As a result of operations based overseas, the Consolidated Entity is exposed to foreign exchange risk from commercial transactions and recognised assets and liabilities denominated in a currency that is not Cape Lambert's functional currency.

The Consolidated Entity also has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

As at 30 June 2011, the Consolidated Entity had the following exposure to foreign currency:

	30 June 2011	30 June 2010
	$	$
Financial assets:		
Cash and cash equivalents - USD	**$9,436,816**	$793,256
Cash and cash equivalents - GBP	**£21,072**	£57,710
Cash and cash equivalents - EUR	**€870,765**	€441,745

The Consolidated Entity recognised a foreign currency exchange loss for the year ended 30 June 2011 of $864,907 (2010: $68,982) as a result of translating funds held in foreign currency to Australian dollars.

Movement of 10% in the foreign currency exchange rates as at 30 June 2011, would have increased/(decreased) the consolidated profit by $86,490 (2010: $6,898).

Managements have 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 exposure to market interest rates relates primarily to the Consolidated Entity's cash and cash equivalents. 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 the reporting date, the Cape Lambert Group had the following variable rate cash and cash equivalents and restricted cash:

	30 June 2011	30 June 2010
	$	$
Financial assets:		
Cash and cash equivalents	**43,096,285**	135,709,067
Restricted cash	**3,626,612**	3,091,973
	46,722,897	138,801,040
Weighted average interest rate	**4.34%**	3.51%

Movement of 50 basis points on the interest rate would have increased/ (decreased) the consolidated profit by $279,891 (2010:$ 359,081).

(iii) PRICE RISK

The Cape Lambert Group is exposed to equity securities price risk. This arises from investments held and classified on the statement of financial position as at fair value through profit or loss. The Cape Lambert Group is not exposed to commodity price risk.

To manage its price risk arising from investments in equity securities, the Cape Lambert Group diversifies its portfolio which is done in accordance with the limits set by the Board of Directors.

The majority of the Cape Lambert Group's equity investments are publicly traded and are included on the ASX 200 Index.

The table below summarises the impact of increases/decreases of financial assets at fair value through profit and loss on the Cape Lambert Group's post tax profit for the year and on equity. The analysis is based on the assumption that the value of financial assets at fair value through profit and loss had increased/decreased by 10% (2010 – 10%) with all other variables held constant.

Consolidated	Impact on Post-Tax Profit/(Loss)		Impact on Equity	
	2011 $	2010 $	2011 $	2010 $
Shares in listed entities	**1,772,524**	1,668,801	-	-
Conversion options	**5,781**	22,078	-	-
Call options	**34,239**	86,585	-	-
	1,812,544	1,777,464	-	-

30. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and loans to other entities. The Cape Lambert Group 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 Cape Lambert Group, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Cape Lambert Group 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 Cape Lambert Group had subscribed during the year are listed in notes 8.

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

	30 June 2011	30 June 2010
	$	$
Financial assets:		
Cash and cash equivalents and restricted cash - AAA	**46,722,897**	137,201,040
Loans and receivables	**9,411,297**	19,386,424
Other financial assets	**30,325,436**	26,634,643

(c) Liquidity Risk

The Cape Lambert Group 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 Cape Lambert Group had no financing arrangements in place.

All financial liabilities are current and expected to settle within six months.

(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 / other receivables and payables are assumed to approximate their fair values due to their short-term nature.

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2011.

	Level 1	Level 2	Total
	$	$	$
Financial assets:			
Financial assets at Fair value through Profit and Loss			
Shares in listed entities	**17,725,238**	**-**	**17,725,238**
Conversion options	**-**	**57,809**	**57,809**
Call options	**-**	**342,390**	**342,390**

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2010.

	Level 1	Level 2	Total
	$	$	$
Financial assets:			
Financial assets at Fair value through Profit and Loss			
Shares in listed entities	16,688,006	-	16,688,066
Conversion options	-	220,780	220,780
Call options	-	865,857	865,857

Investments in unlisted entities are classified as available for sale financial assets. These are traded in inactive markets and are carried at cost because their fair values cannot be reliably measured. Management have assessed impairment and no indicators of impairment exist as at 30 June 2011.

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	30 June 2011	30 June 2010
	$	$
Statement of financial position		
Current assets	**235,921,353**	264,138,897
Total assets	**357,407,912**	371,764,903
Current liabilities	**(132,648,660)**	(161,308,950)
Total liabilities	**(132,648,660)**	(161,308,950)
Shareholders' equity		
Issued capital	**167,528,846**	177,603,225
Reserves	**797,277**	-
Retained earnings	**56,433,129**	32,852,728
Total equity	**224,759,252**	210,455,953
Net profit for the year	**23,580,401**	23,270,014
Total comprehensive income	**23,580,401**	23,270,014

(b) Guarantees entered into by the parent entity

Carrying amount included in current liabilities	**-**	-

The parent entity has provided financial guarantees in respect of environmental performance bonds for subsidiaries during the current year amounting to $2,349,210 (2010: nil).

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Cape Lambert Resources Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Cape Lambert Resources Limited for the financial year ended 30 June 2011 are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the financial position of the Consolidated Entity as at 30 June 2011 and of its performance, for the period ended on that date; and

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

      (iii) complying with International Financial Reporting Standards as disclosed in Note 1.

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

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2011.

Signed in accordance with a resolution of the Directors:

Antony Sage
Director

Perth, 28 September 2011

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the members of Cape Lambert Resources Limited

Report on the financial report

We have audited the accompanying financial report of Cape Lambert Resources Limited (the company), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Cape Lambert Resources 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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.

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

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Independent auditor's report to the members of Cape Lambert Resources Limited (continued)

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 Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its 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 and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 14 of the directors' report for the year ended 30 June 2011. 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 Resources Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
28 September 2011

The Board of Directors of Cape Lambert Resources 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 2011. The current corporate governance policies are posted in a dedicated corporate governance information section of the Company's website at www.capelam.com.au.

Adherence to the Guide on Best Practice Recommendations

Recommendation		Comply Yes / No
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
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
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
2.2	The chairperson should be an independent director.	No
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	No
2.4	The Board should establish a nomination committee.	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the guide to reporting on Principle 2.	Yes

Recommendation	Comply Yes / No
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: 3.1.1 The practices necessary to maintain confidence in the Company's integrity. 3.1.2 The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. 3.1.3 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2 Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees.	Yes
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.	Yes
4.2 The audit committee should be structured so that it: 4.2.1 consists only of non-executive directors; 4.2.2 consists of a majority of independent directors; 4.2.3 is chaired by an independent chairperson, who is not chairperson of the Board; and 4.2.4 has at least three members.	Yes
4.3 The audit committee should have a formal charter.	Yes
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
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
6.2 Provide the information indicated in the guide to reporting on Principle 6.	Yes

Recommendation		Comply Yes / No
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
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
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
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
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
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; and
- 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. 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 Ross Levin 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 is the Executive Chairman of the Company and does not meet the Company's criteria for independence. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

The role of Chief Executive Officer 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 this role.

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	10 years & 9 months	(Executive Chairman)
Mr Timothy Turner	7 years	(Non-Executive Director)
Mr Brian Maher	5 years & 9 months	(Non-Executive Director)
Mr Ross Levin	1 year & 3 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

On 20 December 2010, the Company adopted a new Securities Trading Policy (which was then updated on 30 June 2010) in compliance with the ASX Listing Rules, which is located on the Company's website: www.capelam.com.au.

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. Additionally, the Board and other employees may not deal in the Company's securities 2 days preceding the release of annual results and half year results.

Before commencing to trade outside of those black-out periods, 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.

Further information regarding Cape Lambert's Securities Trading Policy can be found on the Company's website, www.capelam.com.au.

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. 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 and Risk Committee

The Board has established an Audit and Risk Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit and Risk Committee reviews the audited annual and half-yearly financial statements and any reports which accompany published financial statements and recommends their approval. The Board has delegated responsibility for establishing and maintaining a framework of internal control and ethical standards, and reviewing the integrity of the Company's financial reporting to the Audit and Risk Committee.

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

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

The members of the Audit and Risk Committee during the year were:

Mr Timothy Turner (Committee Chairman)
Mr Brian Maher
Mr Ross Levin

All members of the Audit and Risk Committee are non-executive directors. The qualifications and experience of the Audit and Risk Committee members are stated in the Directors' Report.

Further information regarding Cape Lambert's Audit and Risk Committee charter can be found on the Company's website, www.capelam.com.au.

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. The governance of this policy has been delegated to the Audit and Risk Committee. The Audit and Risk Committee reviews the material business risks determined and reported by executive management on a regular basis and ensures that an effective, integrated and comprehensive risk management system and process is being operated by management. The policies and procedures adopted are directed at meeting the following objectives:

- effectiveness and efficiency in the use of the Company's resources;
- compliance with applicable laws and regulations; and
- preparation of reliable published financial information.

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
Mr Ross Levin

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; and
- 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.

Senior Executive Remuneration Policy (Continued)

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.

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 year, 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 these 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.

Diversity

In December 2010, the Company adopted a diversity policy which provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviors for the benefit of all staff;
- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity.

The Board is primarily responsible for setting achievable objectives on gender diversity and monitoring the progress of the Company towards them on an annual basis. Due to the size and scale of operations of the Company, the Board has determined that a long term gender diversity objective is more appropriate.

The Company does not have any women holding positions at Board level, however women hold the positions of Chief Financial Officer, Company Secretary and head of Investor Relations.

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

ADDITIONAL STOCK EXCHANGE INFORMATION

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 22 September 2011 are as follows:

Category (size of holding)	Fully Paid Ordinary Shares
1- 1,000	188
1,001- 5,000	1,585
5,001- 10,000	1,267
10,001- 100,000	2,345
100,001 – 999,999,999	307
1,000,000,000 and over	0
Total	**5,692**

Equity Securities

There are 5,692 shareholders, holding 652,171,792 fully paid ordinary shares.

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

There are 20,672,189 ordinary shares that are subject to a voluntary restriction until 13 December 2011 held by 1 shareholder.

The number of ordinary shareholdings held in less than marketable parcels is 232.

Options

The Company currently has 2,650,000 unlisted options exercisable at $0.45 each on or before 30 September 2011 on issue.

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 22 September 2011 are as follows:

	Fully paid ordinary shareholders	Number	% of held Issued Capital
1	African Minerals Limited	118,162,723	18.12
2	Antony William Paul Sage	38,540,430	5.91

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 22 September 2011 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	AFRICAN MINERALS LIMITED	118,162,723	18.12
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	72,208,319	11.07
3	NATIONAL NOMINEES LIMITED	61,019,002	9.36
4	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	54,970,000	8.43
5	J P MORGAN NOMIEES AUSTRALIA	47,224,511	7.24
6	ANTONY WILLIAM SAGE <EGAS SUPER FUND A/C>	31,640,430	4.85
7	CROSS STRAIT COMMON DEVELOPMENT FUND CO LIMITED	20,672,189	3.17
8	CITICORP NOMINEES PTY LIMITED	11,680,591	1.79
9	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	10,509,076	1.61
10	OKEWOOD PTY LTD	6,650,000	1.02
11	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	5,714,309	0.88
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <CW A/C>	5,000,000	0.77
13	MATTHEW PARRISH PTY LTD <THE PARRISH FAMILY A/C>	4,803,535	0.74
14	GANBARU PTY LTD<THE PARRISH SUPER FUND A/C>	4,369,465	0.67
15	MR DAVID MAURICE HODSON	3,000,000	0.46
16	QUEENSLAND INVESTMENT CORPORATION	2,917,035	0.45
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,887,817	0.29
18	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,884,329	0.29
19	MR PAUL JAMES NEWCOMBE	1,873,303	0.29
20	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,828,713	0.28
		468,015,347	**71.76**

Schedule of Mineral Tenements Held at Balance Sheet Date

Tenement	Locality	Tenement Name
E47/1760	WA	Cape Lambert Marine
E47/1493-I	WA	Cape Lambert South
EPM9867	QLD	Mt Watson 1
EPM11025	QLD	Mt Cuthbert Copper
EPM11090	QLD	Hidden Treasure
EPM11387	QLD	Mt Cuthbert North
EPM11357	QLD	Mt Watson 2
EPM13600	QLD	Mt Watson 3
EPM14282	QLD	Mt Cuthbert North 2
EPM14622	QLD	Julius Road
EPM15005	QLD	Watson 4
EPM15251	QLD	Alsace
EPM16991	QLD	Mt Stanley
ML2492	QLD	Hidden Treasure Ext West
ML2494	QLD	Sparklet
ML2504	QLD	Wee Macgregor
ML2514	QLD	Dinkum Digger
ML2515	QLD	Scotch Man
ML2635	QLD	Orphan South
ML2636	QLD	Orphan North
ML2705	QLD	Dobbyn
ML2706	QLD	Crusader
ML2708	QLD	Crusader No 2
ML2715	QLD	Orphan
ML2747	QLD	Mt Cuthbert No 1
ML2748	QLD	Mt Cuthbert No 2
ML2771	QLD	Lady Ethleen
ML2773	QLD	Rosebud
ML2784	QLD	Hidden Treasure
ML7520	QLD	Warwick Castle
ML90066	QLD	Leichhardt
ML90090	QLD	Mt Cuthbert South
ML90091	QLD	Borefield
ML90092	QLD	Warwick Castle Surrounded
ML90098	QLD	Wee Macgregor Consolidated
ML90101	QLD	Standby
ML90137	QLD	Hidden Treasure South Extended
ML90141	QLD	Mighty Atom
ML90142	QLD	Ned Kelly
ML90154	QLD	Mount Watson 1
MDL75	QLD	Mighty Aton
MDL76	QLD	Two Macs Mighty Atom
MDL77	QLD	Eiffel-Tower Mighty Atom
MDL78	QLD	Merry-March Mighty Atom
MDL88	QLD	Excelsior-Might Atom
EPM15687	QLD	Glenorn 4
EPM15688	QLD	Glenorn 12

Tenement	Locality	Tenement Name
EPM15690	QLD	Glenorn 2
EPM15691	QLD	Glenorn 11
EPM15692	QLD	Glenorn 3
EPM15693	QLD	Glenorn 10
EPM15694	QLD	Glenorn 9
EPM15695	QLD	Glenorn 5
EPM15696	QLD	Glenorn 7
EPM15697	QLD	Glenorn 13
EPM15698	QLD	Glenorn 6
EPM15699	QLD	Glenorn 15
EPM15700	QLD	Glenorn 8
EPM15701	QLD	Glenorn 16
EPM15702	QLD	Glenorn 14
EL26304	NT	Glasshouse 3
EL26308	NT	Glasshouse 6
EL26309	NT	Glasshouse 7
EL26310	NT	Glasshouse 8
EL26311	NT	Glasshouse 9
EL26312	NT	Glasshouse 10
EL26314	NT	Glasshouse 11
EL26701	NT	Glasshouse 12
EL26702	NT	Glasshouse 14
EL26928	NT	Tobermory
EPM16609	QLD	West Isa 3
EPM16633	QLD	West Isa 6
EPM16795	QLD	West Isa 8
EPM17483	QLD	South Isa 16
EXPL09/06	Sierra Leone	Marampa
EXPL04/09	Sierra Leone	Kukuna
EL04/08	Sierra Leone	Bullom
EL05/08	Sierra Leone	Bullom
EL06/08	Sierra Leone	Bullom
"Permit I" No. A 2010 057	Guinea	Sandenia
"Permit II" No. A 2010 057	Guinea	Sandenia
EL11/2011	Sierra Leone	Gbahama
EL12/2011	Sierra Leone	Yaya
EL13/2011	Sierra Leone	Gbinti
EL14/2011	Sierra Leone	Magbeti
EL16/2011	Sierra Leone	Makonkari
EL17/2011	Sierra Leone	Karina
EL18/2011	Sierra Leone	Kukuna North
EL19/2011	Sierra Leone	Kankona North
EL21/2011	Sierra Leone	Mawanka
EL23/2011	Sierra Leone	Magbosi
EL24/2011	Sierra Leone	Gbangbama
EL25/2011	Sierra Leone	Gbinti West

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