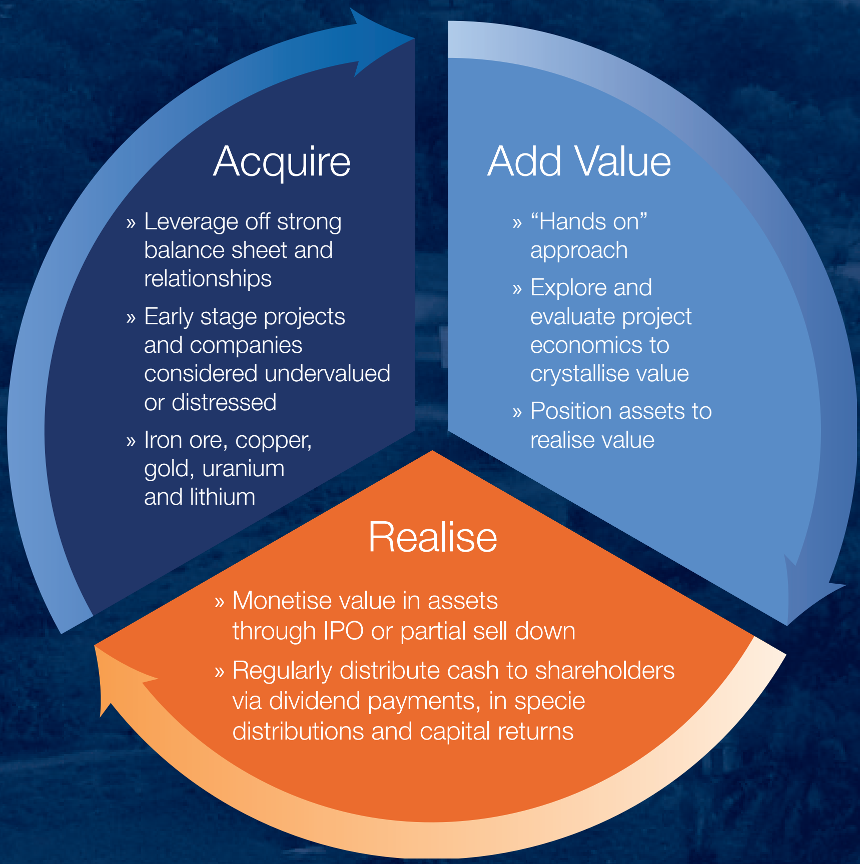
Cape Lambert Resources Ltd

ANNUAL REPORT 2013

Advancing Undervalued Mineral Assets

Cape Lambert Resources Limited (ASX:CFE) is an Australian based, ASX listed, fully funded mineral investment company with a geographically diverse portfolio of mineral assets and interests in a number of exploration companies. The Company has exposure to a broad range of commodities including iron ore, copper, gold, uranium, phosphate, lead-silver-zinc, vanadium and lithium.



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PERTH, WESTERN AUSTRALIA

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Mr Tim Turner - Non-Executive Director
Mr Brian Maher - Non-Executive Director
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CHAIRMAN'S LETTER

Dear Shareholders

The 2012-2013 financial year has presented Cape Lambert Resources Limited (**Cape Lambert** or **Company**) with some challenges in the context of volatile global equity markets and a struggling junior mining sector.

Despite these challenges, we remain in a strong financial position and continue to adopt our strategy of acquiring and investing in assets that are distressed or undervalued and adding value to these assets. Our objective is to monetise these assets at a multiple while retaining an interest in the disposed asset through a royalty and/or equity interest with a policy of distributing surplus cash to shareholders.

In January 2013, we commenced an on market share buy-back program to enable us to purchase up to 10% of the Company's issued share capital over a 12 month period. The Board believes that the implementation of this on market share buy-back program has been successful and has offered a better return to Cape Lambert shareholders since the initiation of the program than it otherwise would if the proceeds had been used to invest outside of the Company. As at 26 September 2013, Cape Lambert had acquired a total of 12,916,850 shares equating to 1.91% of the Company's issued share capital with the potential to purchase a remaining 55,894,029 shares by 17 December 2013.

Having acquired the Leichhardt Copper Project (**Leichhardt** or **Project**) for $7.75 million in August 2010, Cape Lambert completed the sale of the Project for a total consideration of $14.75 million in July 2013, with $5.6 million of environmental and cash bonds to be released in the near future. In addition, the Company agreed to provide transitional management services for approximately four months post completion of the transaction in return for a fee paid by the new owners of Leichhardt. The completion of this transaction boosted our cash reserves and ensured that we remain largely unaffected from the uncertainty in current global equity markets.

The Company had discussions with the ATO during the December 2012 quarter regarding the amended tax assessment which was issued to the Company in May 2012, and which the Company lodged an objection to in July 2012. Under an Arrangement for Payment, Cape Lambert has paid approximately $33.4 million to the ATO and will not be liable to pay any further amounts until the dispute is finally determined. We are pleased with this outcome and remain confident that the Company's objections will be determined favourably, even though the final outcome may take up to three years to resolve.

In August 2013, Metallurgical Corporation of China Limited (**MCC**) was ordered by the arbitrator in Singapore Arbitration Proceedings to pay the disputed amount of $80 million into an escrow account in the joint names of Cape Lambert and MCC pending the determined outcome of the dispute. We believe that while a final verdict of this dispute has yet to be determined, this is a significant victory for Cape Lambert and our shareholders which may result in a resolution being completed in a more timely fashion.

I would like to take this opportunity to thank you as a shareholder of Cape Lambert for your continued support over the past year and look forward to sharing in a successful 2013-2014 financial year with you.

Yours faithfully,

Tony Sage
Executive Chairman

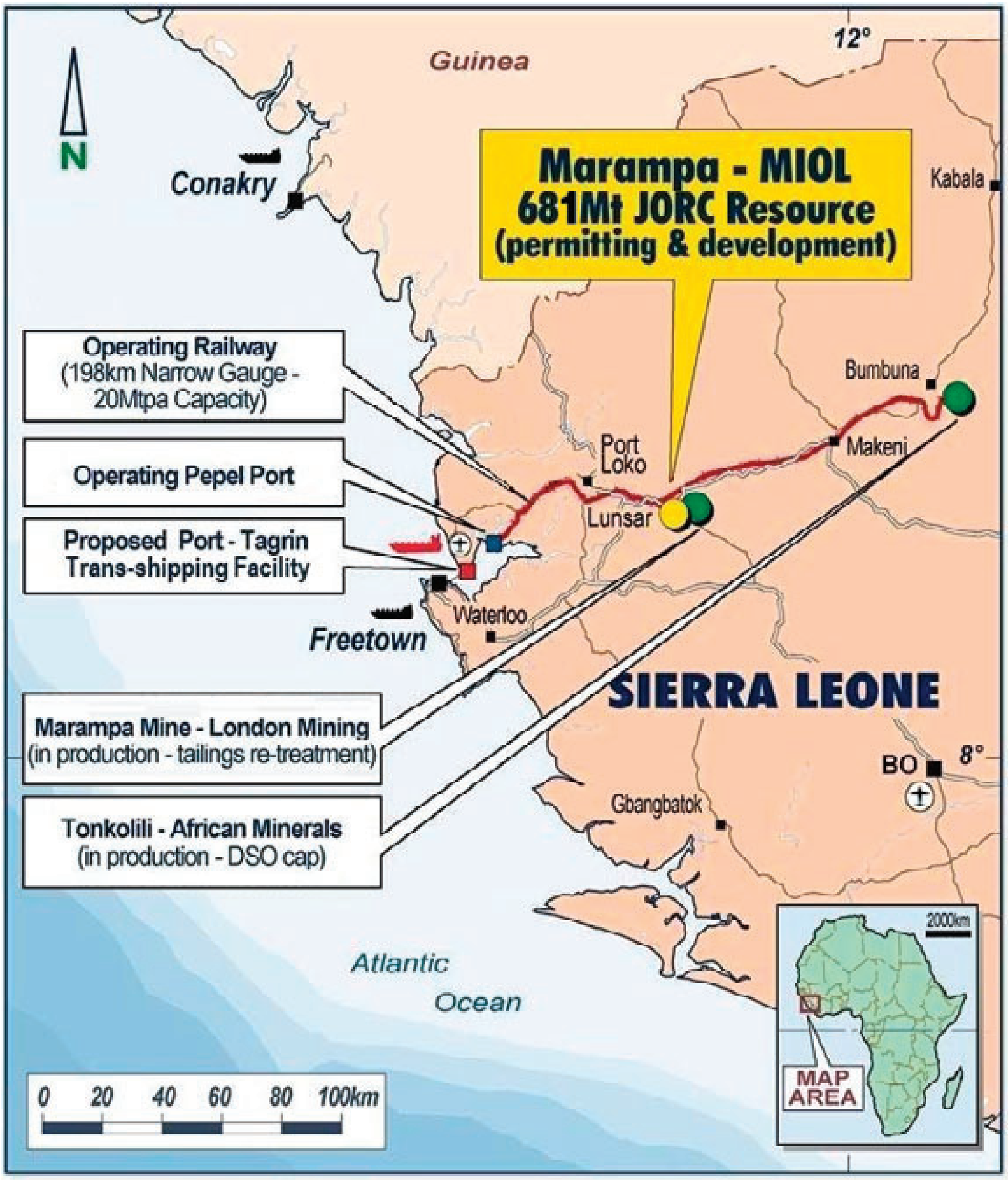
Marampa Iron Ore Project

Location and Overview

The Marampa Iron Ore Project (**Marampa** or **Marampa Project**) is a brownfields hematite iron ore project at the development and permitting stage, and is located 90km northeast of Freetown, Sierra Leone, West Africa (Figure 1).

Marampa comprises two granted exploration licences (EL46A/2011 – 239.18km^2 and EL46B/2011 – 66.00km^2 (formerly EL46/2011 – 305.18km^2)). The licences are held by Marampa Iron Ore (SL) Limited, indirectly a wholly owned subsidiary of the Company. The Marampa Project is connected to a ship loading facility at Pepel Port via a recently refurbished and operational 73km railway.

FIGURE 1: MARAMPA IRON ORE PROJECT LOCATION



Marampa Iron Ore Project Highlights

- JORC resource of 681Mt at 28.2% Fe
- Supporting 15Mtpa high quality hematite concentrate production for >15 years

Scoping Study Update for 15Mtpa, standalone open pit mining development complete:

- Stage 1 – up to 3.4Mtpa concentrate: capex US$368m
- Stage 2 – 10Mtpa concentrate: capex US$1.25b
- Stage 3 – 15Mtpa concentrate: capex US$715m
- 16 year mine life at operating cost of US$53/t concentrate (incl. transport)
- After tax $NPV_{10\%}$ US$1.06 billion with IRR = 20.4%

- <2.5km from existing operational heavy haulage Lunsar–Pepel railway (73km)
- 2Mwtpa rights to access rail and port
- Environmental Licence approved
- Mining Licence in preparation
- Option agreement with AML to buy 2Mwtpa concentrate at mine gate for first three years of production.

Rail and Port Agreement with African Minerals Limited

An infrastructure agreement (signed April 2012 as a Binding Heads of Agreement) with African Minerals Limited (AIM : AML) (**AML** or **African Minerals**) and its subsidiaries provides Marampa with access rights to export 2Mwtpa (wet - equivalent to 1.8Mtpa dry) of concentrate via the recently refurbished and currently operational Pepel rail and port infrastructure (refer ASX Announcement 16 April 2012). Additionally, AML have an option to purchase 2Mwtpa of Marampa concentrate at mine gate for the first 3 years of production.

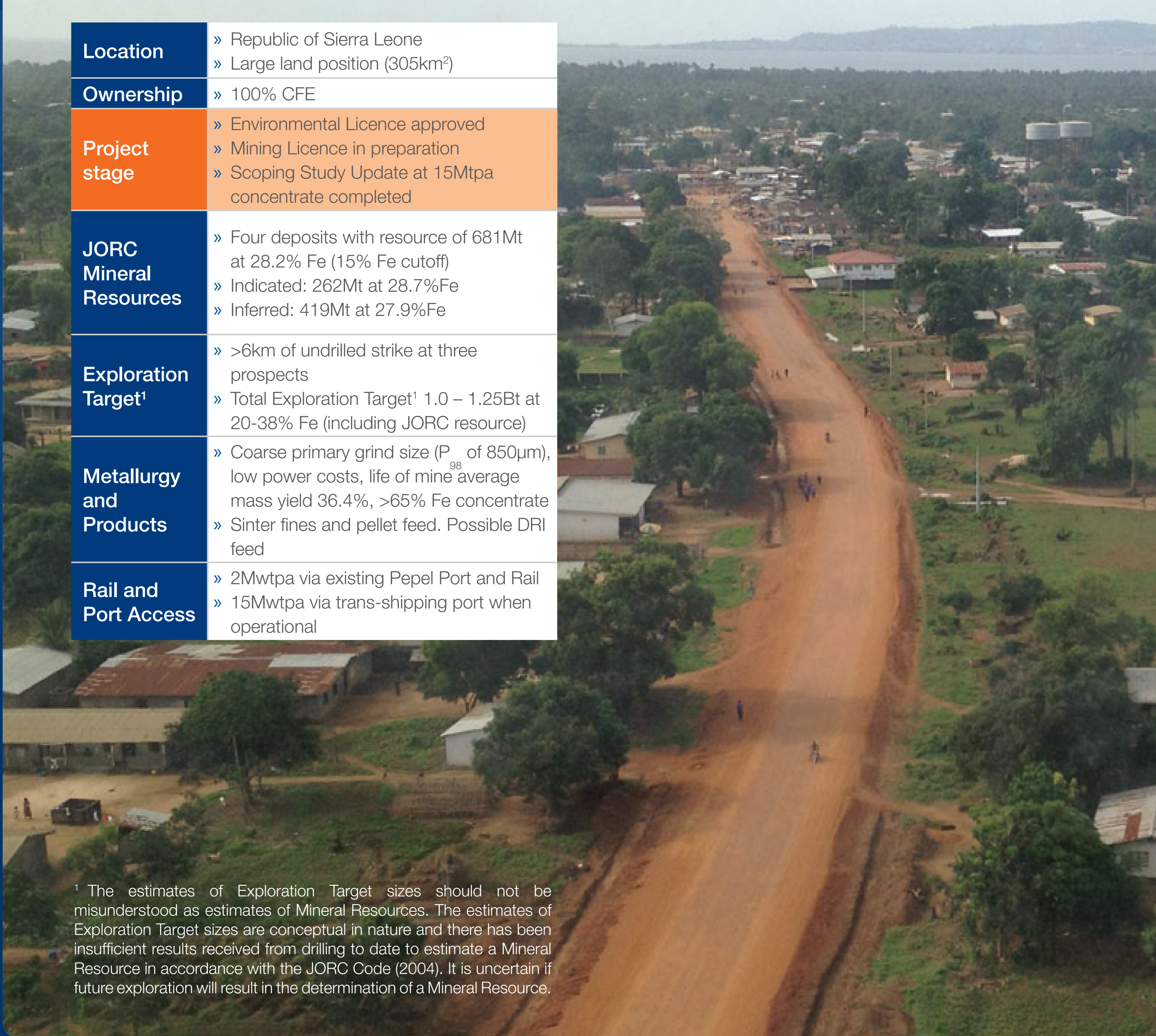
In December 2012, AML announced that it would no longer be building a port at Tagrin, but rather expanding its existing Pepel infrastructure. As a result of this, a revision to the long form infrastructure agreement was necessary. It is expected that the revised long form infrastructure agreement will be completed and executed by the relevant parties during Q4 2013.

Exploration

Exploration during the 2013 reporting year focussed on mapping and line clearing in areas expected to demonstrate supporting geological evidence at surface. A number of specularite schist float occurrences were identified and drilling proposals have been designed to test the alternate interpretation at depth. These proposals will form part of the exploration program once the project has been sold.

Mapping and line clearing was also initiated in the far north-east corner of the Marampa licence on the Robelor prospect to outline potential mineralisation along strike of the Kumrabai prospect (Metals Exploration (SL) Limited). Float of specularite schist was identified and follow up preliminary drilling has been planned.

Assays from some deep metallurgical diamond drilling conducted during Q4 2012 were received. A hole in the Gafal South area was drilled to 430m which ended in mineralisation demonstrating the continuance of grade beneath the base of the quoted resources. This highlights the potential to expand the current known resource with some targeted deep exploration drilling.



Location	» Republic of Sierra Leone » Large land position (305km^2)
Ownership	» 100% CFE
Project stage	» Environmental Licence approved » Mining Licence in preparation » Scoping Study Update at 15Mtpa concentrate completed
JORC Mineral Resources	» Four deposits with resource of 681Mt at 28.2% Fe (15% Fe cutoff) » Indicated: 262Mt at 28.7%Fe » Inferred: 419Mt at 27.9%Fe
Exploration Target[1]	» >6km of undrilled strike at three prospects » Total Exploration Target[1] 1.0 – 1.25Bt at 20-38% Fe (including JORC resource)
Metallurgy and Products	» Coarse primary grind size (P_{98} of 850µm), low power costs, life of mine average mass yield 36.4%, >65% Fe concentrate » Sinter fines and pellet feed. Possible DRI feed
Rail and Port Access	» 2Mwtpa via existing Pepel Port and Rail » 15Mwtpa via trans-shipping port when operational

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

Mineral Resource Estimate

An amendment to the existing resource estimate was conducted by Golder Associates to make adjustments reflecting corrections made to licence beacon locations upon renewal of the London Mining licence (ML02/09). This amendment made no significant change to the resource estimate.

The Marampa Mineral Resource estimate, based on the Australasian Code for the Reporting of Exploration Results, Identified Mineral Resources and Ore Reserves (JORC Code, 2004), totals 681 million tonnes with an in-situ grade of 28.2% Fe (15% Fe cut-off grade), with 38.5% of the resource classified as Indicated. The Resource estimate comprises drilling at the Gafal West, Gafal South, Matukia, Mafuri and Rotret deposits, refer Figure 2.

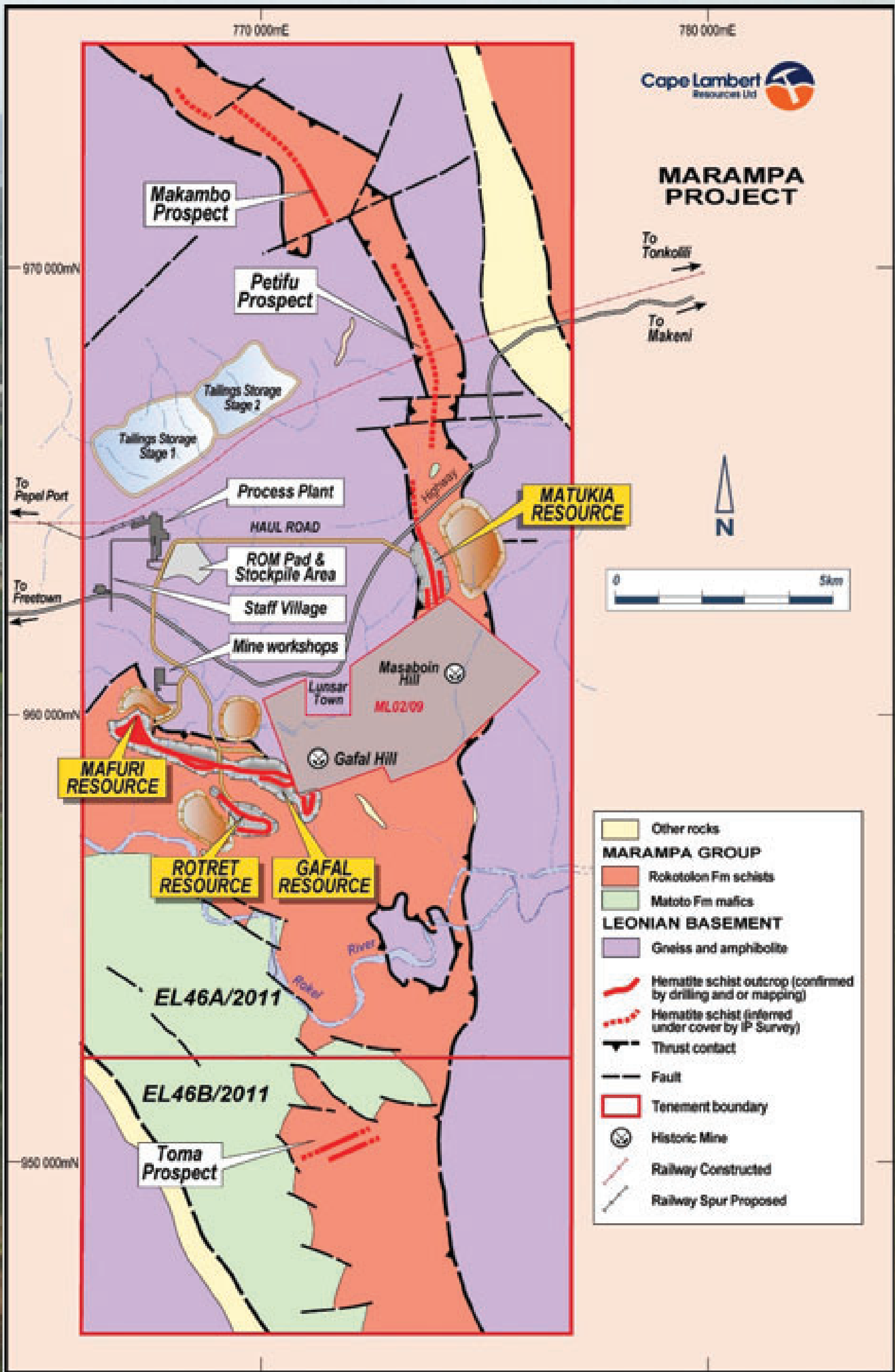


FIGURE 2: MARAMPA GEOLOGY, PROSPECTS AND PROJECT LAYOUT

Technical Work Completed

METALLURGY

Testwork on Marampa ores continued during the 2013 reporting year. The purpose was to provide additional data to support the engineering information previously generated and to investigate alternative process flows and magnetic separators in the Wet Hist Intensity Magnetic Separation (**WHIMS**) section of the plant. The use of more efficient WHIMS units has led to a reduction in the number of cleaning stages and therefore a reduction in the total number of WHIMS units required to meet the target concentrate iron grade at acceptable mass and iron recovery.

To ensure that all of the ore types were magnetically similar in nature, each was tested under Locked Cycle Testwork using the same conditions as the 2012 work. The conclusion from this testwork was that most samples upgraded to > 65% Fe. An example Locked Cycle Test result is shown in Table 1.

TABLE 1 READINGS WHIMS RESULTS

Composite Sample	Field G	Concentrate Grade				% Mass Recovery	% Fe Distribution
		Fe %	SiO_2 %	P %	S %		
Mafuri Fresh – Run 1	4 900	60.7	8.6	0.035	0.021	5.2	12.4
Mafuri Fresh – Run 2	12 200	57.3	11.3	0.041	0.005	44.2	84.2
Mafuri Fresh – Run 3	12 200	62.8	5.7	0.022	0.004	40.7	84.4
Mafuri Fresh – Run 4	12 200	61.7	6.7	0.026	0.004	43.8	85.7
Mafuri Fresh – Run 5	9 400	62.8	6.5	0.024	0.003	32.6	62.8
Mafuri Fresh – Run 6	12 200	61.7	7.1	0.025	0.003	42.2	85.4
Scavenger Non-mags (Final Tailings)	12 200	5.5	69.6	0.177	0.005	80.8	42.7
Cleaner Mags (Final Product)	**12 200**	**66.1**	**2.6**	**0.011**	**0.002**	**87.0**	**95.6**

Based on the 2013 testwork, a simplification of the process flowsheet was achieved which will result in lower project capital and operating costs while providing a safer processing plant to operate and maintain.

15MTPA SCOPING STUDY UPDATE

Due to AML's announcement that it would no longer be building a port at Tagrin, the Company commenced an update of the 15Mtpa Scoping Study (**15Mtpa Scoping Study Update**), to incorporate the use of a transhipping port that was investigated in a previous Scoping Study as well as the latest results from the 2013 metallurgical testwork.

This updated study was completed during the June quarter 2013 and was based on a 3 staged development, with Stage 1 mining and processing the softer oxide ores at a design rate of 2.5Mtpa of concentrate production. A Stage 2 expansion increases concentrate production to 10Mtpa within 18 months of commissioning Stage 1. A Stage 3 expansion increases the concentrate production to 15Mtpa within 12 months of Stage 2 commissioning, resulting in a 16 year mine life based on the current mineral resource inventory. The Stage 1 development will utilise AML's Pepel Infrastructure to export 1.8Mtpa (dry) of concentrate, whilst the Stage 2 and Stage 3 developments assume that concentrate will be pumped to and exported from a Marampa owned transhipping port located at Tagrin point.

The Stage 1 capital investment was estimated at US$368M, whilst the Stage 2 expansion was estimated at an additional US$1,253M and Stage 3 at a further US$716M, for a total capital investment of US$2,337M. The average life of mine operating cost was estimated at US$53 per tonne of concentrate, free on board (FOB) Freetown.

The 15Mtpa Scoping Study Update base case (at $US100/t FOB concentrate sale price) returned robust financial metrics including an ungeared (100% equity) after tax $NPV_{10\%}$ of US$1.06 billion, an internal rate of return of 20.4% and after tax cash flows of US$4.47 billion.

Project Permitting

ENVIRONMENTAL AND SOCIAL STUDIES

Marampa finalised and lodged its environmental and social impact assessment study with the Sierra Leone Environmental Protection Agency (EPA) in October 2012. A consultation process was conducted during November 2012. The EPA granted and issued an Environmental Licence for the Marampa Project in May 2013.

MINING LICENCE

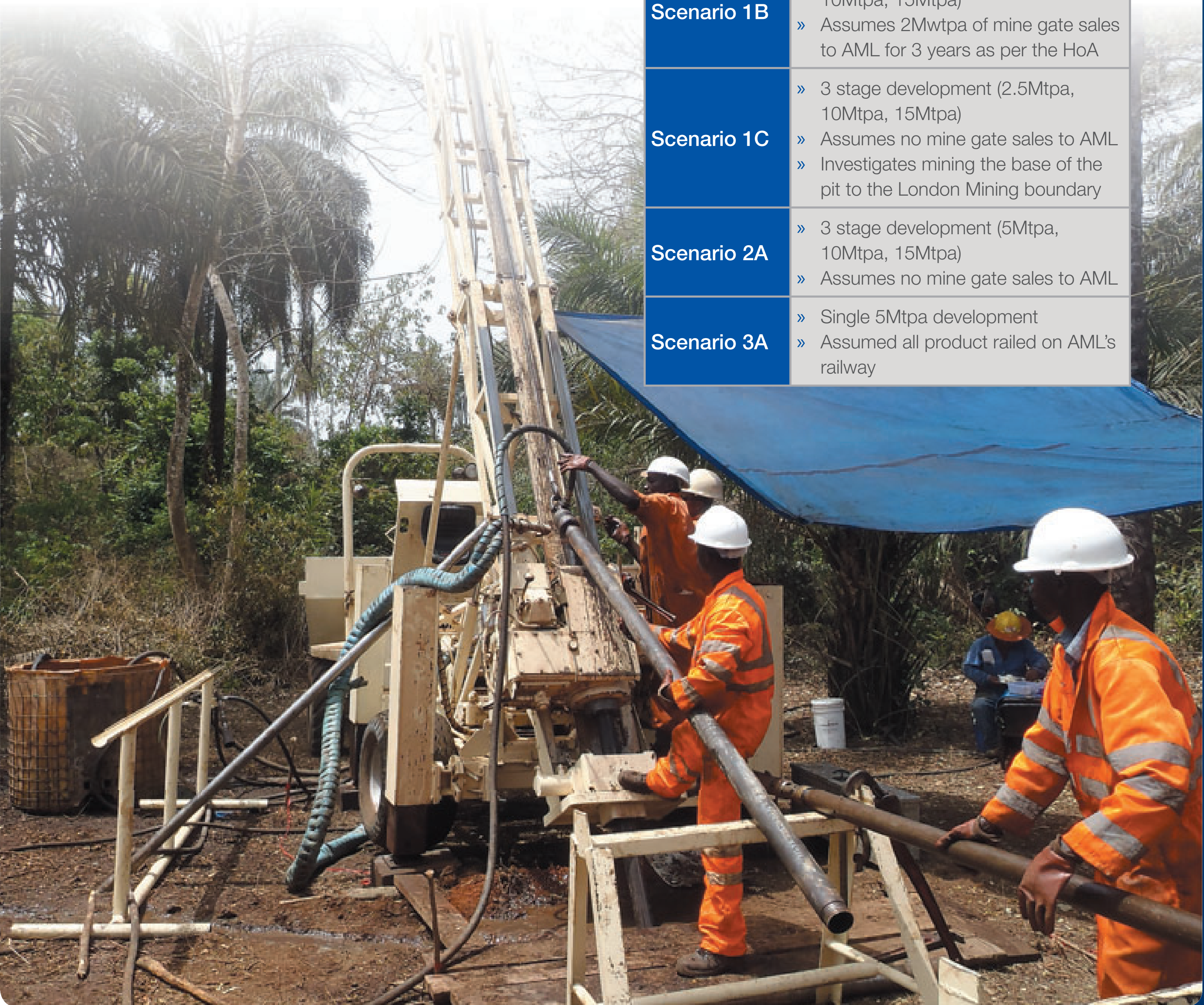
The Marampa mining licence application was prepared during the June 2013 quarter and is expected to be lodged with the relevant Sierra Leone authorities during the September 2013 quarter. It is anticipated that the Mining Licence Agreement will be granted late in 2013.

Divestment of Marampa Project

The Company continues to respond to interest from third parties with respect to the sale of the Marampa Project. A partial sale to investment groups with a view to joint venture the development of the Marampa Project through to production is also being considered.

Marampa Development Alternatives Investigated

Scenario 1A	» 3 stage development (2.5Mtpa, 10Mtpa, 15Mtpa) » Assumes no mine gate sales to African Minerals Ltd (**AML**)
Scenario 1B	» 3 stage development (2.5Mtpa, 10Mtpa, 15Mtpa) » Assumes 2Mwtpa of mine gate sales to AML for 3 years as per the HoA
Scenario 1C	» 3 stage development (2.5Mtpa, 10Mtpa, 15Mtpa) » Assumes no mine gate sales to AML » Investigates mining the base of the pit to the London Mining boundary
Scenario 2A	» 3 stage development (5Mtpa, 10Mtpa, 15Mtpa) » Assumes no mine gate sales to AML
Scenario 3A	» Single 5Mtpa development » Assumed all product railed on AML's railway



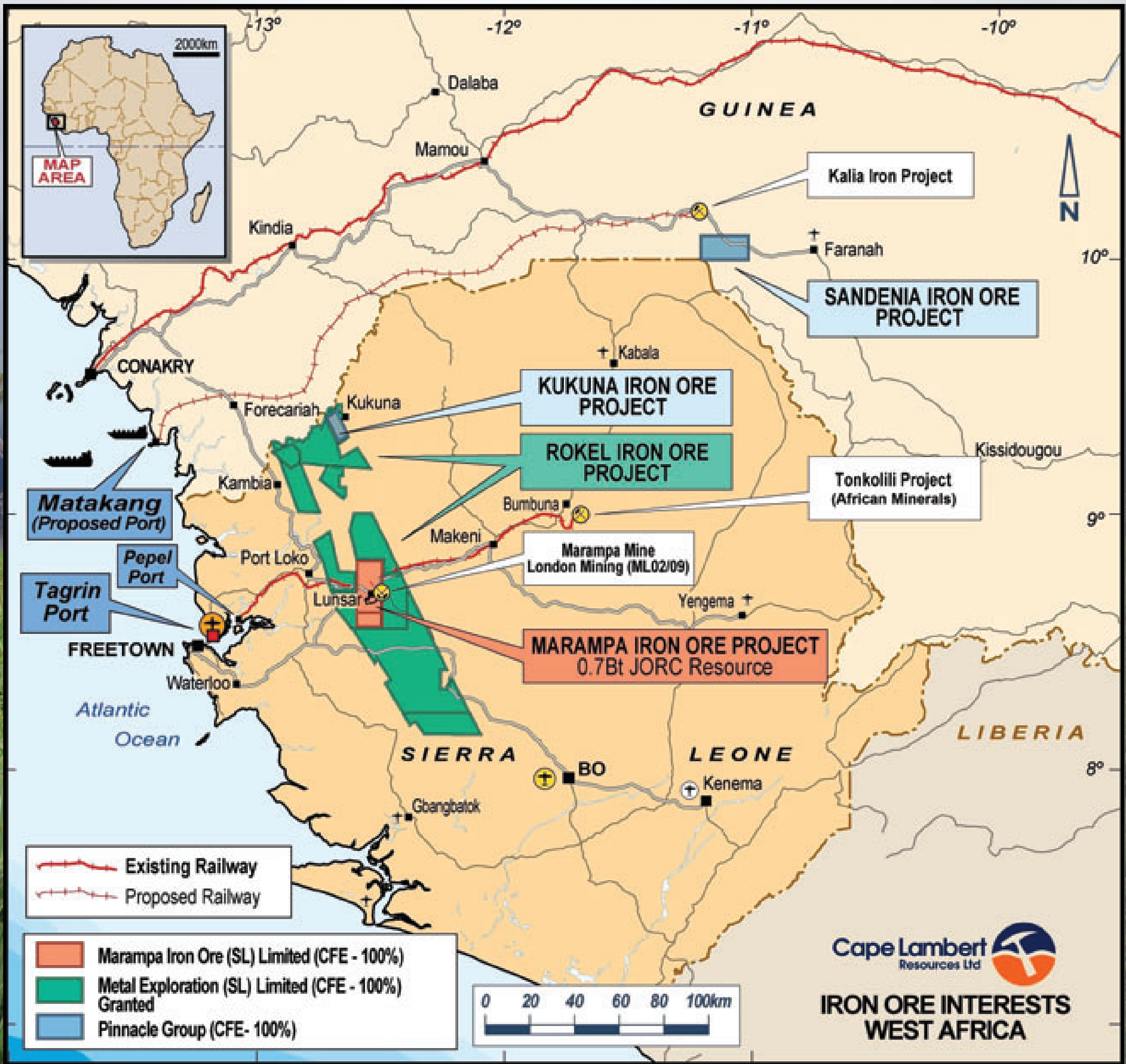
Kukuna Project

The Kukuna Project (**Kukuna** or **Kukuna Project**) is located 120km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km² (Figure 3). The licence is located approximately 70km due north of the Marampa Project.

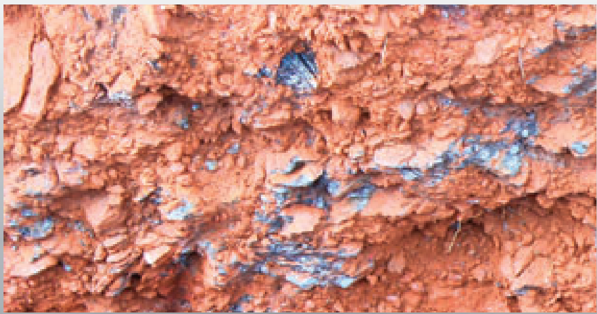
Field exploration activities were suspended during the year to allow for a review and re-interpretation of the existing data. A consolidated report on work completed at Kukuna was prepared and re-logging was completed on all drill core from the Project area. This data was used for a project wide re-interpretation and for the development of a future exploration strategy for the district.

This work has resulted in the preparation of a drilling program to investigate areas previously untested by diamond drilling or trenching.

FIGURE 3: REGIONAL MAP SHOWING THE COMPANY'S ASSETS IN SIERRA LEONE AND GUINEA



Kukuna Project Highlights



Location	» Republic of Sierra Leone » 68km^2 granted licence
Ownership	» 100% CFE - Pinnacle Group Assets
Exploration Target[1]	» Three target trends with total prospective strike of ~20km » Exploration target[1] 310-950 Mt at 20-30% Fe of hematite schist iron ore
Product	» High grade hematite concentrate
Project stage	» Early exploration » Trenching & drilling program conducted in 2011/2012 on priority targets
Rail and Port Access	» Located ~80km from existing Pepel-Lunsar railway and/or the Atlantic Coast » Transport and shipping options being examined

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

Rokel Project

Metal Exploration (SL) Limited, a wholly owned subsidiary of Cape Lambert, holds a land package of 17 granted licences in Sierra Leone totalling approximately 2,900km^2, covering the region 70km to the north and south of Marampa (Figure 3). This land package is referred to as the Rokel Iron Ore Project (**Rokel** or **Rokel Project**) and is prospective for the discovery of specularite schist deposits similar to those at the Marampa Project.

KUMRABAI PROSPECT

Mineralisation in the form of specularite schist was intersected in trenches over a 7km strike length. A report on work undertaken to date has been drafted and a drilling program for 38 Reverse Circulation holes has been prepared. This is designed to confirm the depth penetration and grades of the mineralisation seen at surface and in trenches.

KARINA PROSPECT

Approximately 62 line km of mapping was undertaken with minor specularite schist float observed.

BUMBE PROSPECT

Exploration activity consisted of mapping and pit excavation. A drilling program has been prepared to test depth penetration of encouraging samples taken from surface and near surface specularite schist intersections.

LANKONO PROSPECT

The Lankono Prospect is an eastern extension to the Mafuri deposit on the Marampa Licence (EL46A/2011). Mapping has identified significant outcrop and float of specularite schist mineralisation in two discrete clusters and a total of 19 pits have been excavated to obtain samples and structural measurements from the intersections. Mapping and sampling will continue into 2014 ahead of planning an exploration strategy for the prospect.

MAWANKA PROSPECT

The Mawanka Prospect is a potential extension along strike to the Kumrabai prospect in the north. Preliminary reconnaissance exploration was undertaken toward the end of 2013 reporting period with encouraging evidence of specularite schist float in the area. Follow up mapping and pitting will take place early in 2014 ahead of more dedicated exploration if deemed warranted.

Rokel Project Highlights

Location	» ~2,900km² of prospective licences » Marampa belt
Ownership	» 100% CFE - Metal Exploration (SL) Limited
Exploration Target	» Hematite schist iron ore » Identified prospect at Kumrabai east of Marampa with strike of 7km » Known historical occurrences » north of Marampa
Project stage	» Airborne magnetic geophysical survey completed. Target generation completed » Prospect mapping & sampling underway at several prospects
Rail and Port Access	» Prospect and occurrences 5-40km from Tonkolili-Lunsar-Pepel railway

Sandenia Project

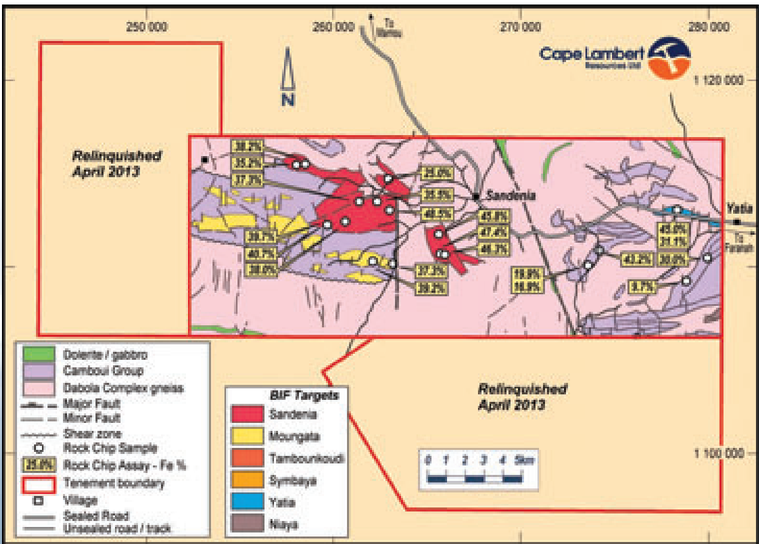
The Sandenia Project (**Sandenia** or **Sandenia Project**) is located 290km east of Conakry in the central south of the Republic of Guinea and comprises one exploration permit covering 298km² (Figure 3). During the year the project area was reduced by half in accordance with Guinean statutory requirements (Figure 4). The Sandenia permit contains 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.

Mapping and trenching continued throughout the year with an additional 1,604m of trenches excavated. Banded Iron Formation (BIF) was intersected and sampled in the majority of trenches adding to the growing database for interpretation.

Anecdotal evidence of artisanal gold mining in or around the northern lease boundary has led to an investigation into the potential for gold mineralisation within the lease area. During a site visit by staff geologists, a series of alluvial workings were identified 700m north of the Sandenia lease boundary trending along an interpreted fault which runs back through the Sandenia property.

A preliminary sampling program in existing trenches that have intersected quartz veining has begun to try to identify the source of primary gold mineralisation. Further focussed mapping and sampling will continue to determine the extent of mineralisation and its geological controls. Follow up on any gold potential will continue into the 2014 reporting year.

FIGURE 4: SANDENIA TENEMENT



Location	» Republic of Guinea » Granted exploration permit (298km²)
Ownership	» 100% CFE - Pinnacle Group Assets
Exploration Target[1]	» Exploration Target[1] 20-450 Mt at 25-35% Fe » Five exploration targets prospective for enriched oxide and magnetite BIF » Artisinal gold workings are identified within the area
Project stage	» Early exploration » Drill targets defined » Ongoing trenching, chip sampling and geophysical interpretation
Rail & Port Access	» Adjacent to proposed railway Kalia - Matakang » Bellzone have signed infrastructure deal with China Int. Fund

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

Cote D'Ivoire

Metals Exploration Cote D'Ivoire SA is a wholly owned subsidiary of the Company and was granted three tenements in the highly prospective Birimian Gold Belt of Cote D'Ivoire. The tenements are named Boundiali North (400km^2), Katiola (400km^2) and Bouake (400km^2) for a total land position of 1,200km^2, refer (Figure 5).

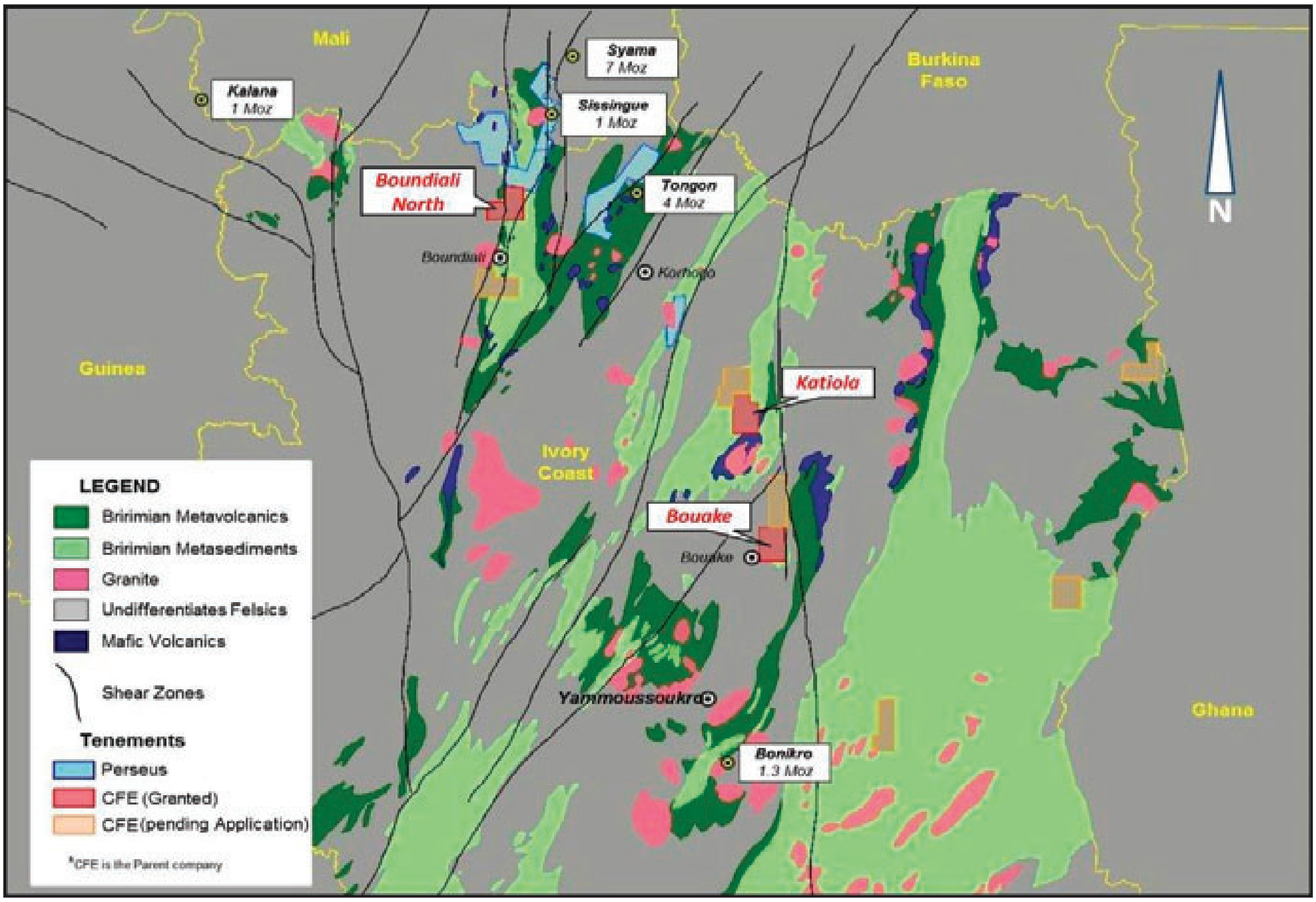


FIGURE 5: COTE D'IVOIRE TENEMENT LOCATIONS

The tenements all contain, or are adjacent to, Birimian Greenstones and metasediments and have significant structural characteristics known to host high tenor gold mineralisation in the district. The Birimian Group is broadly divided into phyllites, tuffs and greywackes of the Lower Birimian (Type 2 metasediments), and various basaltic to andesitic lavas and volcanoclastics of the Upper Birimian (Type 1 Greenstone metavolcanics). Spatial distribution of gold mineralisation appears to be governed by north to northeast trending belts of metavolcanic rocks, ranging from 15km to 40km in width, associated with the Upper Birimian.

The Birimain Gold Belt is host to numerous multi-million ounce gold deposits including the Morila (7Moz), Syama (7Moz) and Tongon (4Moz) deposits. Almost without exception, these major gold deposits are located at or close to the margins of the metavolcanic belts, adjacent to the strongly deformed contacts between the Upper and Lower Birimian sequences as seen to exist within the recently granted tenements.

EXPLORATION

Preliminary site visits have been conducted by company geologists. Numerous significant artisanal mining ventures by local people were observed on each of the tenements in both alluvial and in-situ environments. The Company is encouraged by this evidence of the presence of coarse free gold in the tenement areas.

The Company is targeting large primary in-situ gold occurrences and work has commenced on planning and budgeting for a first pass exploration program.

Leichhardt Project

The Leichhardt Project (**Leichhardt** or **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.

The sale of the Leichhardt Project was completed during the year. Pursuant to the terms of the transaction, the Company received a total consideration of $14.75million plus costs incurred whilst maintaining the Leichhardt Project from 1 May 2013 until sale completion. Additionally, the Company will have $5.6million of environmental and cash bonds relating to the Leichhardt Project released in the near future.

As part of the transaction, Cape Lambert has agreed to provide transitional management services to the new owner of the Leichhardt Project for approximately four months, post completion. The costs for these management services are paid by the new owner of the Leichhardt Project.

Location	» Mt Isa Inlier, Qld, Australia
Ownership	» Sold for $14.75 million » CFE initially acquired the Leichhardt Project for $8.5m from Matrix Metals in 2010
JORC Resource	» Resource of 10.5Mt at 0.9% Cu (100kt contained Cu) » 48 granted tenements
Infrastructure	» Mt Cuthbert SX-EW process plant with 9,000tpa copper cathode capacity » Mt Watson open pit » 110 person camp
Project stage	» Mt Cuthbert/Watson Operations - Care and Maintenance » Near-mine exploration and metallurgical testing in progress » Leichhardt Regional – exploration in progress on untested EM targets at Prospector/Leichhardt

Australis Project

Australis Exploration Pty Ltd (**Australis** or **Australis Project**), a wholly owned subsidiary of Cape Lambert, holds a portfolio of mineral rights, tenements and subsidiaries, which presently comprise:

» Four granted Exploration Licences totalling 1,465km^2 in the east of the Northern Territory, prospective for rock phosphate;

» Three granted EPM's in north Queensland totalling 1,903km^2 prospective for rock phosphate mineralisation; and

» Mojo Mining Pty Ltd (Mojo or Mojo Project), a wholly owned subsidiary of Australis Exploration Pty Ltd, which holds 10 granted Exploration Permits (5 under application for renewal) totalling approximately 838km^2, located 150km south of Mt Isa, prospective for large Mt Isa style base metal deposits under younger cover rocks.

Geochemical soil sampling was conducted over Australis' phosphate targets in the Northern Territory defined from geophysics, regional exploration and previous work. A soil anomaly was identified and followed up with a shallow hand auger program confirming a discrete anomalous zone coincident with the postulated margin of the Georgina Basin associated with rocks of the prospective Wonorah Formation. A small preliminary drilling program has been planned for follow up to test for economic grades at depth.

Two drill holes were completed in the geophysical anomalies identified during 2012 at the Mojo Project. Depth to basement was significantly deeper than anticipated. The drilling shows rocks of the Mt Isa inlier along with alteration characteristics and weak mineralisation extend as far south as the Mojo tenements.

Information memorandums have been produced for all of the Australis and Mojo assets and these have been made available to interested parties for potential divestment.

Location	» Northern Territory and NW Qld, Australia
Ownership	» 100% CFE
Holdings	» 4 granted Exploration Licences (1,465km^2) in Northern Territory » 3 Granted Exploration Licences (1,903km^2) in NW Queensland » 100% of Mojo Mining Pty Ltd, which holds 10 granted Exploration Permits (838km^2)
Exploration targets	» Rock phosphate in NT and QLD » Large Mt Isa style base metal deposits under younger cover rocks at Mojo
Project stage	» Early exploration » Geophysical surveys and prospecting underway » Geochemical soil sampling

Competent Persons Statements

The contents of this Report relating to Exploration Results are based on information compiled by Dennis Kruger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Kruger is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kruger consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

The contents of this Report relating to Mineral Resources and Ore Reserves are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Frederickson consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

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

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 2013.

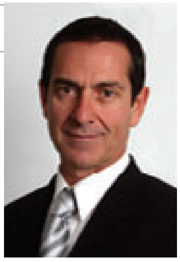
DIRECTORS

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.

Tony Sage
Tim Turner
Brian Maher
Ross Levin

Tony 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: Cauldron Energy Limited, Fe Limited, International Petroleum Limited[1], Kupang Resources Limited, Global Strategic Metals NL and Matrix Metals Limited.

Brian Maher NON-EXECUTIVE DIRECTOR

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

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

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

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

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

Tim 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 a 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:

Tony Sage	African Petroleum Corporation Limited[1]	October 2007 to June 2013
	International Goldfields Limited	February 2009 to May 2013
	African Iron Limited	January 2011 to March 2012
	Cauldron Energy Limited	June 2009 to present
	Fe Limited	August 2009 to present
	International Petroleum Limited[1]	January 2006 to present
	Kupang Resources Limited	September 2010 to present
	Global Strategic Metals NL	June 2012 to present
	Matrix Metals Limited	December 2010 to present
Brian Maher	-	-
Tim 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.

REVIEW OF RESULTS AND OPERATIONS

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 2013 was a challenging year for the Cape Lambert Group and despite these challenges, the Consolidated Entity remains in a strong financial position. A number of transactions completed during the year 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:

» In July 2012, the Consolidated Entity converted the $2,000,000 and $1,500,000 convertible loans (plus $465,891 interest receivable) into 19,829,452 shares in Cauldron Energy Limited (ASX: CXU).

» The Company continued with legal action against MCC Australia Sanjin Pty Ltd and its parent company Metallurgical Corporation of China Limited to recover $80,000,000 owing from the sale of the Cape Lambert magnetite iron ore project in mid-2008. In August 2012, the Court made orders, inter alia, for the dispute to be determined by an arbitrator in Singapore and for the Company to propose (such proposals consented to by the MCC parties) that the dispute between the Company and MCC China (in respect to the payment of $80,000,000 into an escrow account pending determination of the primary dispute) be heard and determined by the arbitrator to the hearing of the disputes between the Company and MCC Sanjin.

  In August 2013 the arbitrator issued a partial award requiring MCC China to pay the sum of $80,000,000 into an escrow account (to be opened in the joint names of the parties with a major trading bank within Australia) pending the determination of the substantive dispute. The Company announced to the market the details of the partial award on 9 August 2013.

  The Company has referred the dispute to arbitration in Singapore which is expected to be heard in 2014.

» In August 2012, the Company became a cornerstone investor in OGL Resources Limited by subscribing for convertible loan notes for $1,000,000.

» In May 2012, the Company received a notice of amended tax assessment and penalty notice (**Amended Assessment**) from the Australian Taxation Office (**ATO**) which resulted from an audit by the ATO. The Company has lodged an objection to the Amended Assessment.

  On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an arrangement for payment (**Arrangement**) of half the primary tax and shortfall interest charge in the Amended Assessment pending the outcome of the objection lodged by the Company. After this time, the rate of general interest charge accruing on the unpaid balance of disputed tax and shortfall interest charge will be reduced by half. Under the Arrangement, the ATO has confirmed that no further amounts will be required to be paid by the Company until the final determination of the dispute and no collection action will be taken by the ATO until this time.

  As at 30 June 2013, the Company has paid the full amount of $33,395,426 under the Arrangement which is reflected as prepaid tax in these accounts. The Company believes that it has a strong defence to the disputed matters and continues to vigorously defend this position whilst the objection is ongoing.

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

- In December 2012, the Consolidated Entity exercised 5,450,000 share options in Global Strategic Metals NL (**Global**) for $381,500. The Company also advanced $400,000 to Global with interest being payable at 12.0%. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global exercisable at $0.10 each on or before 31 January 2015.

- In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 30 June 2013, $790,000 had been drawn down from this facility.

- In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. Canaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back. During the year ended 30 June 2013, the Company bought back 9,416,850 Shares for a total consideration of $1,436,112. As at 25 September 2013, there are 55,894,029 Shares remaining that may be bought back under this facility.

- In May 2013, the Company announced that it had been granted its environmental licence for its flagship Marampa iron ore project in Sierra Leone. Achieving the environmental licence milestone enables Marampa to apply for a mining licence during Q4 2013. The Company expects to finalise the revised long form rail and port infrastructure agreement with African Minerals Ltd during Q4 2013.

- On 28 June 2013, the Company announced that following completion of due diligence inquiries by the purchaser and receipt of a "no objection" letter for the acquisition pursuant to the Foreign Acquisition and Takeover Act 1975 (Cth), the sale of its wholly owned subsidiary, Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Project became unconditional. The purchaser paid a $2,000,000 non-refundable deposit in April 2013 and a second $2,000,000 non-refundable deposit in June 2013. The Company received the balance of the consideration, being $10,750,000 and transitional funding associated with the Leichhardt Project from 1 May 2013 until completion, on 8 July 2013. Additionally, the Company will have $5.6m of environmental and cash bonds released in the near future.

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 2013 of $143,911,775 (2012: profit of $22,723,709). The loss for the year includes impairment losses in respect of capitalised exploration and evaluation to the extent of $107,523,191. The impairment is predominantly a consequence of the accounting values attributed to exploration assets acquired between 2009 and 2011 in Sierra Leone and Guinea and where the Directors have assessed that the carrying amount of these exploration and evaluation assets are unlikely to be recovered in full from successful development or by sale.

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 30 June 2013:

- On 8 July 2013, the Company received the final sale proceeds of $10,750,000 for the sale of Cape Lambert Leichhardt Pty Ltd, the owner of the Leichhardt Project plus transitional funding associated with the Leichhardt Project from 1 May 2013 until completion. Additionally, the Company will have $5.6 million of environmental and cash bonds returned to it in the near future.
- In August 2013, the Company announced that the arbitrator has ordered that Metallurgical Corporation of China Limited (**MCC**) pay the disputed amount of $80,000,000 into an escrow account in the joint names of the Company and MCC pending the determination of the substantive dispute.
- Since balance date, 3,500,000 shares have been bought back via the on-market buy back for $524,941.

Other than the above, no event has arisen since 30 June 2013 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.

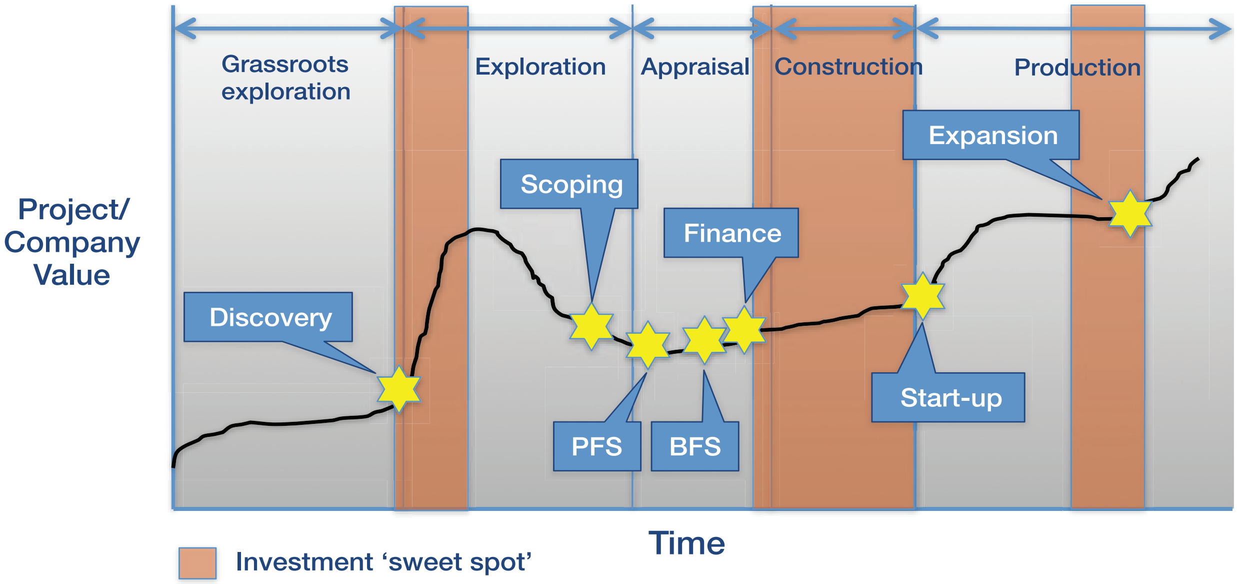
DIVIDEND AND RETURN OF CAPITAL

No dividend was declared or paid during the current year or prior year.

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.

CAPE LAMBERT INVESTS AT THE OPTIMUM TIME TO ACHIEVE MAXIMUM VALUE RETURNS



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 has over 15 years' experience in the legal profession, primarily in the areas of equity capital markets, mergers and acquisitions, corporate restructuring, corporate governance and mining and resources. She has previously practised as a partner of a corporate law firm for a number of years before joining the Company. Ms Tolcon holds a Bachelor of Law and Bachelor of Commerce (Accounting) degree and has completed a Graduate Diploma of Applied Corporate Governance with Chartered Secretaries Australia Ltd and a Graduate Diploma in Applied Finance with FINSIA.

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		Audit Committee		Remuneration Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Tony Sage	5	5	-	-	-	-
Brian Maher	5	5	2	-	1	1
Tim Turner	5	5	2	2	1	1
Ross Levin	5	4	2	2	1	1

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
Tony Sage	43,615,430	2,000,000
Brian Maher	985,000	500,000
Tim Turner	1,523,000	500,000
Ross Levin	619,500	500,000
	46,742,930	3,500,000

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements of the Company and the Cape Lambert Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. 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

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

Other Key Management Personnel

J Hamilton – Manager Project Development
T Boucher – General Manager Operations (effective 8 October 2012)
M Chapman – Chief Financial Officer
C Tolcon – Legal Counsel and Company Secretary

Remuneration Report Approval

At the 2012 Annual General Meeting, the Company received a first strike in relation to its 2012 remuneration report. The Board has considered the reasons for this result and sought feedback from shareholders and stakeholders in relation to the remuneration report.

Subsequent to the 2012 Annual General Meeting, the Company has reduced staff numbers and total remuneration and no bonuses or incentives were paid by the Company to employees or directors in the 2013 financial year.

The remuneration committee took into consideration the reasons underlying the first strike in its negotiations of a new executive services contract with Executive Chairman, Tony Sage. Pursuant to the terms of that contract, Mr Sage is not entitled to any set long or short term bonus or incentive. For the avoidance of doubt , there is no fixed formula under which any incentives or bonuses are payable by the Company to Mr Sage. During the term of the contract, the remuneration committee may consider incentive plans and bonus structures that will be focussed on the Executive Chairman achieving performance hurdles based on a material increase in net market capitalisation of the Company and returns to shareholders of the Company, such as dividends and may take into consideration external advice received from an independent remuneration consultant. Any bonus or incentive structure set by the remuneration committee during the term of the contract will be directly related to benefits to the shareholders of the Company and will not be payable based merely on Mr Sage's time, efforts or his achievement of non-financial targets.

The Company will continue to address and restructure remunerations arrangements within the Company to address the ongoing requirements of the Company and focus on the alignment of the objectives of the Company and shareholder interests. The Company will continue to seek feedback from shareholders on the remuneration report and monitor releases with respect to best-practice remuneration processes.

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:

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

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.

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 fees paid to non executive directors has not increased since their respective engagements. The Executive Chairman 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.

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 $0.10 and a high of $0.34. The price volatility is a concern to the Board but is not considered abnormal for medium sized exploration entities and in the context of volatile global equity markets. 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.

	2009	2010	2011	2012	2013
Closing Share Price - 30 June	$0.32	$0.32	$0.445	$0.32	$0.10
Profit/(loss) for the year	$229,009,330	$72,248,076	($11,846,271)	$22,723,709	($143,911,775)
Basic EPS	$0.47	$0.13	($0.02)	$0.034	($0.2093)

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:

	Short term					% of Total Remuneration		
2013	Cash Salary & Fees	Cash Bonus	Post employ-ment benefits	Share Based Payments – Equity Options[3]	Total	Fixed	At Risk Short Term Incentive	At Risk Long Term Incentive
	$	$	$	$	$	%	%	%
Directors								
T Sage	700,000	-	-	94,000	794,000	88%	-	12%
B Maher	48,000	-	-	23,500	71,500	67%	-	33%
T Turner	60,000	-	-	23,500	83,500	72%	-	28%
R Levin	48,000	-	4,320	23,500	75,820	69%	-	31%
Other Key Management Personnel								
J Hamilton	351,750	-	-	22,325	374,075	94%	-	6%
T Boucher[1]	238,150	-	-	22,325	260,475	91%	-	9%
M Chapman[2]	115,000	-	25,000	18,800	158,800	88%	-	12%
C Tolcon	123,073	-	-	18,800	141,873	87%	-	13%
	1,683,973	-	29,320	246,750	1,960,043	87%	-	13%

For executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.

No non-monetary benefits were provided to directors or key management personnel during the year.

Notes

[1]Mr T Boucher was appointed in the role of General Manager – Operations on 8 October 2012.

[2]A portion of Ms M Chapman's salary is recharged to related entity Global Strategic Metals NL.

[3]The share options issued to directors and key management personnel during the year were issued for no consideration and will vest if the Company successfully divests (wholly or partially) it's interest in the Marampa Project, whether by joint venture, sale or initial public offering prior to expiry date. The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 23 November 2012. The share options have been valued using the Black Scholes option valuation method at $0.047 on the date of issue on 23 November 2012. The amount payable upon exercise of each share option is $0.29 (representing 18% premium to the market value of the Cape Lambert shares on the 23 November 2012 being the day of the Annual General Meeting (AGM) and the share options will expire on 22 November 2013.

	Short term					% of Total Remuneration		
2012	Cash Salary & Fees	Cash Bonus	Post employ-ment benefits	Share Based Payments – Equity Options[5]	Total	Fixed	At Risk Short Term Incentive	At Risk Long Term Incentive
	$	$	$	$	$	%	%	%
Directors								
T Sage	767,339	1,047,190[6]	-	122,181	1,936,710	40%	54%	6%
B Maher	48,000	-	-	30,545	78,545	61%	-	39%
T Turner	60,000	-	-	30,545	90,545	66%	-	34%
R Levin	48,000	-	4,320	30,545	82,865	63%	-	37%
Other Key Management Personnel								
J Hamilton	337,575	-	-	18,327	355,902	95%	-	5%
K Bischoff[1]	293,925	-	-	-	293,925	100%	-	-
GV Ariti[2]	387,900	-	-	-	387,900	100%	-	-
F Taylor[3]	111,775	-	-	18,327	130,102	86%	-	14%
M Chapman[4]	24,006	-	3,430	-	27,436	100%	-	-
C Tolcon	127,190	-	-	18,327	145,517	87%	-	13%
	2,205,710	1,047,190	7,750	268,798	3,529,447	62%	30%	8%

For executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.

No non monetary benefits were provided to directors or key management personnel during the year.

Notes

[1]Mr K. Bischoff resigned effective 1 June 2012.

[2]Mr. GV Ariti resigned effective 26 June 2012.

[3]Ms. F Taylor resigned effective 31 May 2012.

[4]Ms. M Chapman was appointed on 14 May 2012.

[5]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 25 November 2011. The share options have been valued using the Black Scholes option valuation method at $0.06 on the date of issue on 6 October 2011. The amount payable upon exercise of each share option is $0.45 and the share options expired on 30 November 2012.

[6]As recommended by the Remuneration Committee, a success fee was paid to Tony Sage equal to 1% of cash proceeds received by the Company in respect of the sale of the Sappes project and the investment in African Iron Limited.

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

The options were issued for nil consideration in November 2012 with shareholder approval obtained in November 2012. The share options issued to directors and key management personnel during the year were issued for no consideration and will vest when the Company successfully divests (wholly or partially) its interest in the Marampa Project, whether by joint venture, sale or initial public offering.

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

2013	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					
T Sage	94,000	-	-	94,000	12%
B Maher	23,500	-	-	23,500	33%
T Turner	23,500	-	-	23,500	28%
R Levin	23,500	-	-	23,500	31%
Other Key Management Personnel					
J Hamilton	22,325	-	-	22,325	6%
T Boucher	22,325	-	-	22,325	9%
M Chapman	18,800	-	-	18,800	12%
C Tolcon	18,800	-	-	18,800	13%
Total	246,750	-	-	246,750	

2013	Number of Options Granted Number	Number of Options Exercised Number	Number of Options Lapsed Number	Total number of Options Granted, Exercised or Lapsed	Percentage of Total Remuneration for the Year that Consists of Options
					%
Directors					
T Sage	2,000,000	-	-	2,000,000	12%
B Maher	500,000	-	-	500,000	33%
T Turner	500,000	-	-	500,000	28%
R Levin	500,000	-	-	500,000	31%
Other Key Management Personnel					
J Hamilton	475,000	-	-	475,000	6%
T Boucher	475,000			475,000	9%
M Chapman	400,000	-	-	400,000	12%
C Tolcon	400,000	-	-	400,000	13%
Total	5,250,000	-	-	5,250,000	

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

2012	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					
T Sage	122,181	(265,165)	-	(142,984)	6%
B Maher	30,545	(56,821)	-	(26,276)	39%
T Turner	30,545	(9,470)	(75,762)	(54,687)	34%
R Levin	30,545	(56,821)	-	(26,276)	37%
Other Key Management Personnel					
J Hamilton	18,327	-	(14,205)	4,122	5%
K Bischoff	-	-	-	-	-
GV Ariti	-	-	(56,821)	(56,821)	-
F Taylor	18,327	(46,738)	-	(28,411)	14%
M Chapman	-	-	-	-	-
C Tolcon	18,327	(47,351)	-	(29,024)	13%
Total	268,798	(482,266)	(146,788)	(360,357)	

2012	Number of Options Granted Number	Number of Options Exercised Number	Number of Options Lapsed Number	Total number of Options Granted, Exercised or Lapsed	Percentage of Total Remuneration for the Year that Consists of Options
					%
Directors					
T Sage	2,000,000	(2,800,000)	-	(800,000)	6%
B Maher	500,000	(600,000)	-	(100,000)	39%
T Turner	500,000	(100,000)	(800,000)	(400,000)	34%
R Levin	500,000	(600,000)	-	(100,000)	37%
Other Key Management Personnel					
J Hamilton	300,000	-	(150,000)	150,000	5%
K Bischoff	-	-	-	-	-
GV Ariti	-	-	(600,000)	(600,000)	-
F Taylor	300,000	(600,000)	-	(300,000)	14%
M Chapman	-	-	-	-	-
C Tolcon	300,000	(500,000)	-	(200,000)	13%
Total	4,400,000	(5,200,000)	(1,550,000)	(2,350,000)	

Service Agreements

Executive Directors

On 26 September 2013, the Company entered into a consultancy contract with Executive Chairman, Tony Sage for a period of 3 years from 28 August 2013. Pursuant to the terms of the contract, Mr Sage is paid an annual fee of $700,000 per annum (plus GST) for performing the role as Executive Chairman of the Company with the specific responsibility for all negotiations and strategic networking to facilitate the acquisition and disposal of assets of the Company. Under that contract, Mr Sage is not entitled to any set long or short term bonus or incentive. For the avoidance of doubt , there is no fixed formula under which any incentives or bonuses are payable by the Company to Mr Sage. During the term of the contract, the remuneration committee may consider incentive plans and bonus structures that will be focussed on the Executive Chairman achieving performance hurdles based on a material increase in net market capitalisation of the Company and returns to shareholders of the Company, such as dividends. The contract may be terminated by either party, without cause, providing 3 months' notice (or payment in lieu).

Non-Executive Directors

The engagement conditions of non-executive director Tim 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 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 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 J Hamilton were approved by the Board on commencement of his engagement in April 2006. A subsequent review was undertaken and a fee of $1,500 per day plus GST was approved (2012: $1,500 per day).

The engagement conditions of contractor Mr T Boucher were approved on commencement of his engagement as General Manager – Operations on 8 October 2012 with a fee of $1,600 per day plus GST.

The engagement conditions of contractor C Tolcon were set out in a service agreement upon appointment in December 2010 with a fee of $4,000 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 employee M Chapman were agreed upon appointment in May 2012 including a total remuneration package of $200,000 per annum. A portion of Ms M Chapman's salary is recharged to related entity Global Strategic Metals NL.

----------End of audited remuneration report------------

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 payment of $80 million due in relation to the sale of the Cape Lambert Iron Ore Project. Refer to note 20 for details.

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 $22,500 were paid or payable (2012: 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, 11,710,000 share options were granted to directors, employees and consultants (2012: 8,800,000) of which 770,000 were forfeited during the current year and 265,000 were forfeited subsequent to balance date.

Share Options on Issue at Year End

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
23 November 2012	22 November 2013	$0.29	10,675,000

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

No shares were issued during the current year as a result of the exercise of options.

Details of shares issued during the previous 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
6,200,000	ORD	$2,790,000	-

Since 30 June 2013, nil share options have been exercised for total consideration of nil. 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 33 for the year ended 30 June 2013.

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

Tony Sage
Director

Dated this 27th day of September 2013

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

In relation to our audit of the financial report of Cape Lambert Resources Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
27 September 2013

GHM:MM:CAPELAM:007

Consolidated Statement of Comprehensive Income

	Note	For the year ended 30 June 2013	30 June 2012
		$	$
Revenue	3(a)	**3,135,494**	4,393,562
Other income	3(b)	**5,206,607**	65,040,903
Share based payments	16	**(331,201)**	(537,595)
Directors remuneration and employee benefits expenses		**(2,429,530)**	(4,471,806)
Consulting and professional services		**(4,612,853)**	(7,838,387)
Occupancy expenses	3(e)	**(2,618,675)**	(1,149,235)
Compliance and regulatory expenses		**(233,488)**	(591,094)
Travel and accommodation		**(596,358)**	(1,228,115)
Depreciation and amortisation expense	3(c)	**(1,302,419)**	(738,432)
Finance costs	3(d)	**-**	(109,278)
Loss on fair value of financial assets through profit and loss	3(g)	**(15,166,948)**	(5,280,140)
Other expenses	3(f)	**(1,702,994)**	(4,519,086)
Exploration expenditure expensed		**(164,486)**	(1,383,509)
Impairment of investments		**(3,237,016)**	(6,200,000)
Impairment of loans and interest receivable	7(a)	**(3,400,000)**	(91,472)
Impairment of investment in associate	12(e)	**(5,780,466)**	(1,563,184)
Impairment of capitalised exploration	11(c)	**(107,523,191)**	(317,194)
Share of net losses of associates accounted for using the equity method	12(b)	**(3,550,631)**	(5,000,534)
Loss on extinguishment of debt		**-**	(1,094,445)
(Loss) / profit before income tax		**(144,308,155)**	27,320,959
Income tax benefit / (expense)	4	**396,380**	(4,597,250)
Net (loss) / profit for the year		**(143,911,775)**	22,723,709
Other comprehensive income/(expenditure) net of tax			
Items that may be reclassified subsequently to profit and loss			
Foreign exchange differences arising on translation of foreign operations		**4,365,480**	524,630
Share of reserves of associates accounted for using the equity method		**320,836**	(1,402,755)
Share of associate's reserve reclassified to profit and loss due to reclassification of associate as listed investment fair valued through profit and loss		**679,197**	-
Total comprehensive (loss) / income for the year		**(138,546,262)**	21,845,584
(Loss) / profit for the year attributable to:			
Members of Cape Lambert Resources Limited		**(143,911,775)**	22,723,709
Non-controlling interests		**-**	-
		(143,911,775)	22,723,709
Total comprehensive (loss) / income for the year attributable to:			
Members of Cape Lambert Resources Limited		**(138,546,262)**	21,845,584
Non-controlling interests		**-**	-
		(138,546,262)	21,845,584
(Loss) / Earnings per share for profit attributable to members of Cape Lambert Resources Limited:			
Basic (loss) / earnings per share (cents per share)	18	**(20.93)**	3.40
Diluted (loss) / earnings per share (cents per share)	18	**(20.93)**	3.37

The accompanying notes form part of this financial report.

Consolidated Statement of Financial Position

	Note	As at 30 June 2013 $	30 June 2012 $
CURRENT ASSETS			
Cash and cash equivalents	26(a)	**16,915,095**	87,524,867
Restricted cash	9	**6,449,963**	652,344
Trade and other receivables	7	**18,413,096**	11,681,678
Non-current assets classified as held for sale	29	**103,543,712**	110,520,018
TOTAL CURRENT ASSETS		**145,321,866**	210,378,907
NON-CURRENT ASSETS			
Other financial assets	8	**11,072,791**	26,705,963
Investments accounted for using the equity method	12	**3,150,607**	9,085,972
Restricted cash	9	**81,833**	2,473,807
Plant and equipment	10	**2,710,683**	3,037,362
Exploration and evaluation expenditure	11	**48,301,425**	145,498,558
Prepaid tax asset	4	**33,395,426**	-
Deferred tax asset	4	**-**	77,644
TOTAL NON-CURRENT ASSETS		**98,712,765**	186,879,306
TOTAL ASSETS		**244,034,631**	397,258,213
CURRENT LIABILITIES			
Trade and other payables	13	**3,666,831**	4,647,106
Provisions	14	**365,514**	68,517
Current tax liabilities		**-**	6,428,925
Liabilities directly associated with non-current assets classified as held for sale	29	**4,883,734**	12,468,241
TOTAL CURRENT LIABILITIES		**8,916,079**	23,612,789
NON CURRENT LIABILITIES			
Provisions	14	**1,124,301**	-
TOTAL NON CURRENT LIABILITIES		**1,124,301**	-
TOTAL LIABILITIES		**10,040,380**	23,612,789
NET ASSETS		**233,994,251**	373,645,424
EQUITY			
Issued capital	15	**195,614,664**	197,050,776
Reserves	16	**4,481,037**	(1,215,677)
Retained earnings	17	**33,898,550**	177,810,325
Parent interests		**233,994,251**	373,645,424
TOTAL EQUITY		**233,994,251**	373,645,424

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

	Note	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Business Combination Reserve	Total
		$	$	$	$	$	$
Balance at 1 July 2012		197,050,776	177,810,325	1,641,973	(1,253,731)	(1,603,919)	373,645,424
Loss for the year		-	(143,911,775)	-	-	-	(143,911,775)
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operations		-	-	-	4,365,480	-	4,365,480
Share of associate's reserves	12,16	-	-	-	320,836	-	320,836
Share of associate's reserve reclassified to profit and loss due to reclassification of associate as listed investment fair valued through profit and loss	16	-	-	(161,632)	840,829	-	679,197
Total comprehensive income/(loss) for the year		-	(143,911,775)	(161,632)	5,527,145	-	(138,546,262)
Transactions with owners in their capacity as owners							
On-market buy back	15	(1,436,112)	-	-	-	-	(1,436,112)
Share based payments expense	16	-	-	331,201	-	-	331,201
Transactions with equity holders in their capacity as owners		(1,436,112)	-	331,201	-	-	(1,104,911)
Balance at 30 June 2013		**195,614,664**	**33,898,550**	**1,811,542**	**4,273,414**	**(1,603,919)**	**233,994,251**

The accompanying notes form part of this financial report.

Consolidated Statement of Changes in Equity

	Note	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Business Combination Reserve	Non-controlling interests	Total
		$	$	$	$	$	$	$
Balance at 1 July 2011		167,528,846	155,086,616	1,828,484	(1,099,712)	-	12,698,566	336,042,800
Profit for the year		-	22,723,709	-	-	-	-	22,723,709
Other comprehensive income								
Foreign exchange differences arising on translation of foreign operations		-	-	-	524,630	-	-	524,630
Share of associate's reserves	12,16	-	-	(724,106)	(678,649)	-	-	(1,402,755)
Total comprehensive income/(loss) for the year		-	22,723,709	(724,106)	(154,019)	-	-	21,845,584
Transactions with owners in their capacity as owners								
Acquisition of non-controlling interests	15,16, 23(b)	9,302,485	-	-	-	(1,603,919)	(12,698,566)	(5,000,000)
Issue of shares in settlement of deferred purchase consideration	15	17,429,445	-	-	-	-	-	17,429,445
Issue of shares upon exercise of options	15	2,790,000	-	-	-	-	-	2,790,000
Share based payments expense	5, 16	-	-	537,595	-	-	-	537,595
Transactions with equity holders in their capacity as owners		29,521,930	-	537,595	-	(1,603,919)	(12,698,566)	15,757,040
Balance at 30 June 2012		**197,050,776**	**177,810,325**	**1,641,973**	**(1,253,731)**	**(1,603,919)**	**-**	**373,645,424**

The accompanying notes form part of this financial report.

Consolidated Statement of Cash Flows

	Note	For the year ended 2013 $	2012 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(10,227,266)**	(24,741,204)
Interest received		**2,606,099**	2,160,523
Interest and other finance costs paid		**(115,595)**	(109,278)
Receipts – other		**-**	132,093
Prepaid tax paid	4	**(33,395,426)**	-
Income tax paid	4	**(3,989,971)**	-
Net cash used in operating activities	26(b)	**(45,122,159)**	(22,557,866)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interests in associated entities	12(b)	**(858,500)**	(4,139,620)
Proceeds on disposal of interest in associated entity	12(b)	**-**	72,219,000
Payments for exploration and evaluation	11(a)	**(20,316,290)**	(22,525,317)
Purchase of property, plant and equipment	10	**(1,006,824)**	(2,985,196)
Release of restricted cash balances in relation to environmental bonds / performance bonds		**132,104**	610,110
Payment of restricted cash in relation to environmental bonds / performance bonds		**(3,444,979)**	(131,396)
Payment on subscription to convertible loan notes	7(a)	**(1,000,000)**	-
Loans to associated entity		**(2,401,000)**	(1,289,000)
Purchase of equity investments in listed entities	8(a)	**(684,933)**	(6,570,743)
Purchase of equity investments in unlisted entities	8(c)	**-**	(1,000,000)
Proceeds from sale of equity investments	8(a)	**-**	3,155,480
Proceeds from sale of controlled entity	21	**4,000,000**	-
Proceeds received from deferred consideration on sale of prospect		**660,000**	-
Cash balances disposed of on disposal of controlled entity	21	**(32,224)**	(92,720)
Repayment of loans on disposal of controlled entity		**-**	32,760,660
Net cash provided by/(used in) investing activities		**(24,952,646)**	70,011,258
CASHFLOWS FROM FINANCING ACTIVITIES			
On-market buy back	15	**(1,436,112)**	-
Proceeds from issues of equity securities	15	**-**	2,790,000
Purchase of non-controlling interests	15	**-**	(5,000,000)
Net cash used in financing activities		**(1,436,112)**	(2,210,000)
Net increase / (decrease) in cash and cash equivalents		**(71,510,917)**	45,243,392
Cash and cash equivalents at beginning of period		**88,411,909**	43,096,285
Foreign exchange		**133,362**	72,232
Cash and cash equivalents at end of period	26(a)	**17,034,354**	88,411,909

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 for-profit public listed company, incorporated and domiciled in Australia.

Compliance with IFRS

The financial report complies with Australian Accounting Standards and 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 following standards and interpretations would have been applied for the first time for entities with years ending 30 June 2013 (unless early adopted):

Reference	Title	Application date of standard*	Application date for Group*
AASB 2011-9	**Amendments to Australian Accounting Standards -Presentation of Other Comprehensive Income** **[AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]** This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	1 July 2012

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 2013 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 effective 1 July 2013. The impact of other new Standards and Interpretations has yet to be fully assessed.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 10	*Consolidated Financial Statements*	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.**	1 January 2013	1 July 2013

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 11	*Joint Arrangements*	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures*. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. **Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.**	1 January 2013	1 July 2013
AASB 12	*Disclosure of Interests in Other Entities*	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
AASB 13	*Fair Value Measurement*	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. **Consequential amendments were also made to other standards via AASB 2011-8.**	1 January 2013	1 July 2013
AASB 119	*Employee Benefits*	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. **Consequential amendments were also made to other standards via AASB 2011-10.**	1 January 2013	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards *- Disclosures - Offsetting Financial Assets and Financial Liabilities*	AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	1 July 2013

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: Repeat application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 *Presentation of Financial Statements*).	1 January 2013	1 July 2013
AASB 2012-9	Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 *Interpretation of Standards* to evidence the withdrawal of Australian Interpretation 1039 *Substantive Enactment of Major Tax Bills in Australia.*	1 January 2013	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 July 2013
AASB 1053	*Application of Tiers of Australian Accounting Standards*	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this standard) (b) The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local governments. **Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.**	1 July 2013	1 July 2013

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	Levies	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was **further amended by AASB 2010-7** to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: The change attributable to changes in credit risk are presented in other comprehensive income (OCI) The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. **Further amendments were made by AASB 2012-6** which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. **Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.**	1 Jan 2015	1 July 2015

(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 22) 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 profit or loss and other 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 any surplus or deficit in the statement of profit or loss and other 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(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) 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 straight linebasis 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:

Office equipment	3 years
Plant and equipment	3 years
Motor vehicles	3 years
Furniture and fittings	5 years
Leasehold improvements	over the period of the lease

(g) 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
(G) 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 fair value, or cost where fair value's unable to be reliably measured 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.

(h) 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.

(i) 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 profit or loss and other 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.

(j) 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(k) 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 due 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.

(l) 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.

(m) 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.

(n) 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. 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)
(N) INCOME TAX (CONTINUED)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of profit or loss and other 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.

(o) Revenue recognition

Interest Revenue

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

(p) 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.

(q) Exploration and Evaluation Expenditure

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

Accumulated costs in relation to an abandoned area are written off in full in the statement of profit or loss and other 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.

(r) 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".

(s) Earnings per Share

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

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

(t) 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 profit or loss and other 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.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(u) 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 profit or loss and other comprehensive income on a straight line basis over the period of the lease.

(v) 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.

(w) Parent entity financial information

The financial information for the parent entity, Cape Lambert Resources Limited, disclosed in note 28 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 profit or loss and other 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.

(x) Comparative Figures

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

(y) 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.

(z) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less cost to sell. A gain is recognised for any subsequent increases in fair value less cost to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(aa) 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(q). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income.

As at 30 June 2013, management have recognised impairment losses in respect of capitalised exploration and evaluation to the extent of $107,523,191 (30 June 2012: $317,194).

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(aa) CRITICAL JUDGEMENTS IN APPLYING THE CONSOLIDATED ENTITY'S ACCOUNTING POLICIES (CONTINUED)

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.

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 2013, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.

Contingent assets and liabilities

The Company has a number of significant contingent assets and liabilities as disclosed in note 20. Any changes in the estimates and assumptions underlying these contingencies could result in a material adjustment to the carrying values of assets and liabilities.

3. PROFIT/(LOSS) FROM OPERATIONS

	Note	Consolidated 2013 $	Consolidated 2012 $
(a) Revenue			
Interest income		**3,020,746**	4,273,465
Rental revenue		**114,748**	95,009
Other revenue		**-**	25,088
		3,135,494	4,393,562
(b) Other income			
Gain on disposal of financial assets		**-**	1,006,576
Gain on disposal of associate	12(b)	**-**	45,305,407
Gain on disposal of controlled entity	21	**3,241,006**	17,720,572
Gain on recognition of deferred consideration receivable		**-**	700,000
Foreign currency exchange gains		**979,277**	229,369
Other income		**986,324**	78,979
		5,206,607	65,040,903
(c) Depreciation and amortisation expense			
Depreciation of plant and equipment		**(1,025,560)**	(602,920)
Amortisation of leasehold improvements		**(276,859)**	(135,512)
Depreciation and amortisation expense		**(1,302,419)**	(738,432)
(d) Finance costs			
Interest and finance charges paid or payable		**-**	(109,278)
(e) Occupancy expenses			
Rental expense relating to operating leases - minimum lease payments		**(719,145)**	(850,041)
Other occupancy expenses		**(510,411)**	(299,194)
Provision for obligations under onerous leases		**(1,389,119)**	-
		(2,618,675)	(1,149,235)
(f) Other expenses			
Administration expenses		**(1,633,009)**	(4,519,086)
Other expenses		**(69,985)**	-
		(1,702,994)	(4,519,086)
(g) (Loss) / gain on fair value of financial assets through profit and loss			
(Loss) on fair value of financial assets (shares in listed entities) through profit and loss	8(a)	**(14,024,692)**	(5,459,448)
(Loss) / gain on fair value of financial assets (share options in listed entities) through profit and loss	8(b)	**(1,102,256)**	179,308
Other		**(40,000)**	-
		(15,166,948)	(5,280,140)

4. INCOME TAXES

During the year ended 30 June 2013, the Company paid $37,385,397 to the Australian Taxation Office (ATO).

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an arrangement for payment (Arrangement) of half the primary tax and shortfall interest charge assessed pending the outcome of the objection lodged by the Company. As at 30 June 2013, the Company has paid $33,395,426 under the Arrangement which is reflected as prepaid tax in these accounts. Refer to note 20 for a detailed discussion on the contingent liability for income tax including interest and penalties in relation to an amended tax assessment.

The remaining tax paid of $3,989,971 relates to income tax arising on the normal operation of the business.

	Consolidated	
	2013	**2012**
	$	**$**
Major components of income tax expense for the year are:		
Income statement		
Current income		
Current income tax charge / (benefit)	**(318,736)**	3,927,187
Relating to origination and reversal of temporary differences	**975,189**	1,510,214
Adjustments in respect of income tax of previous year	**(1,052,833)**	(840,151)
Income tax (benefit) / expense reported in income statement	**(396,380)**	4,597,250
Statement of changes in equity		
Income tax expense reported in equity	**-**	-

4. INCOME TAXES (CONTINUED)

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	
	2013	**2012**
	$	**$**
Accounting profit / (loss) before income tax	**(144,308,155)**	27,320,959
Income tax expense / (benefit) at the statutory income tax rate of 30% (2012: 30%)	**(43,292,447)**	8,196,288
Adjusted for :-		
Non-deductible expenses	**388,215**	(52,581)
Share based payments	**99,360**	161,279
Deferred tax assets and tax losses not recognised	**6,591,274**	3,704,588
Derecognition of deferred tax assets subject to available fraction	**-**	1,483,646
Net capital gain on disposal of controlled entity	**3,228,004**	178,095
Net capital loss on disposal of associate	**-**	(276,003)
Share of losses of associates	**1,065,189**	1,500,160
Impairment of associates	**1,734,140**	468,955
Impairment of investments	**971,105**	-
Impairment of loans and interest receivables	**1,020,000**	-
Impairment of exploration assets	**31,225,424**	-
Deferred tax on entities joining the consolidated tax group	**-**	(3,124,311)
Adjustments in respect of current and deferred tax of previous year	**(3,451,933)**	(840,151)
Utilisation of previously unrecognised tax losses	**-**	(6,322,116)
Other	**25,289**	(480,599)
At effective income tax rate of 0.27% (2012: 13.51%)	**(396,380)**	4,597,250
Income tax expense / (benefit) reported in income statement	**(396,380)**	4,597,250

Recognised deferred tax assets and liabilities

The deferred tax liability balance comprises temporary differences attributable to:

	Consolidated	
	2013	**2012**
	$	**$**
Accrued income	**-**	(139,730)
Capitalised expenditure	**(1,195,550)**	(1,963,342)
Unrealised foreign exchange gains / losses	**(108,764)**	(2,418,557)
Deferred tax liabilities recognised in foreign jurisdictions	**-**	(300,379)
Deferred tax liability	**(1,304,314)**	(4,822,008)
The deferred tax asset balance comprises temporary differences attributable to:		
Finance assets	**98,930**	2,465,092
Accrued expenses and provisions	**87,082**	750,778
Business related costs	**894,183**	1,683,782
Other	**224,119**	-
Deferred tax asset	**1,304,314**	4,899,652
Net deferred tax asset /(liability)	**-**	77,644

4. INCOME TAXES (CONTINUED)

Movement in temporary differences during the current year

Consolidated	Balance 1 July 2012 $	Adjustments in respect of deferred income tax of previous year $	Recognised in Income $	Balance 30 June 2013 $
Accrued income	(139,730)	-	139,730	-
Financial assets	2,465,092	1,380,000	(3,746,162)	98,930
Accrued expenses and provisions	750,778	-	(663,696)	87,082
Business related costs	1,683,782	-	(789,599)	894,183
Capitalised exploration expenditure	(1,963,342)	-	767,792	(1,195,550)
Unrealised foreign exchange gains / losses	(2,418,557)	(2,432,833)	4,742,626	(108,764)
Deferred tax liabilities recognised in foreign jurisdictions	(300,379)	-	300,379	-
Other	-	-	224,119	224,119
Net deferred tax asset / (liability)	77,644	(1,052,833)	975,189	-

Movement in temporary differences during the prior year

Consolidated	Balance 1 July 2011 $	Adjustments in respect of deferred income tax of previous year $	Recognised in Income $	Reclassified as liability directly associated with assets classified as held for sale $	Balance 30 June 2012 $
Accrued income	(58,862)	39,278	(105,477)	(14,669)	(139,730)
Financial assets	(4,217,115)	604,134	6,078,073	-	2,465,092
Accrued expenses and provisions	100,460	-	650,318	-	750,778
Business related costs	2,112,314	-	(428,532)	-	1,683,782
Tax losses	1,483,645	-	(1,483,645)	-	-
Capitalised exploration expenditure	(3,914,619)	-	(1,491,575)	3,442,852	(1,963,342)
Unrealised foreign exchange gains / losses	64,115	-	(2,482,672)	-	(2,418,557)
Deferred tax liabilities recognised in foreign jurisdictions	(1,117,893)	-	(2,246,704)	3,064,218	(300,379)
Net deferred tax asset / (liability)	(5,547,955)	643,412	(1,510,214)	6,492,401	77,644

4. INCOME TAXES (CONTINUED)

	Consolidated 2013 $	2012 $
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**27,946,529**	14,915,507
@ 30%	**8,383,959**	4,474,652

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. SHARE-BASED PAYMENT ARRANGEMENTS

Share-based payments granted during the current year

During the current year 11,710,000 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 23 November 2012. 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. Any share options which have not vested as at the date the holder ceases to be employed or engaged by the Company, shall automatically lapse unless otherwise determined by the Board.

Vesting conditions:

(a) The Options will vest if the Company successfully divests (wholly or partially) its interest in the Marampa Project, whether by joint venture, sale or initial public offering.

(b) If there is a Change of Control Event prior to the Expiry Date, the Options shall automatically vest. "Change of Control Event" means the occurrence of:

   i. The offeror under a takeover offer in respect of all the shares in the Company announces that it has achieved acceptances in respect of 50.1% or more of the Shares; and

   ii. That the takeover bid becomes unconditional; or

   iii. The announcement by the Company that shareholders of the Company have at a court convened meeting of shareholders voted in favour, by necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:

      1. Cancelled; or
      2. Transferred to a third party; and
      3. The court, by order, approved the proposed scheme of arrangement.

The assessed fair value at grant date of options granted to Directors, key management personnel, employees and consultants during the year ended 30 June 2013 was $0.047 per option. The model inputs for options granted during the year ended 30 June 2013 included:

(a) options were issued for no consideration

(b) exercise price: $0.29 (118% of the market price of the Shares at the time of the allotment (being the 5 day volume weighted average Share price (VWAP) up to and including the date of grant)

(c) grant date: 23 November 2012

(d) expiry date: 22 November 2013

(e) share price at grant date: $0.25

(f) expected price volatility of the Company's shares (based on the historic volatility based on the year pre-grant date) : 59%

(g) expected dividend yield: 0.0%

(h) risk-free interest rate: 3.25%

5. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

Share-based payments granted during the prior year

During the year ended 30 June 2012, 8,800,000 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 25 November 2011. 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, key management personnel, employees and consultants during the year ended 30 June 2012 was $0.06 per option. The model inputs for options granted during the year ended 30 June 2012 included:

(a) options were issued for no consideration with no vesting conditions attached.
(b) exercise price: $0.45
(c) grant date: 6 October 2011
(d) expiry date: 30 November 2012
(e) share price at grant date: $0.37
(f) expected price volatility of the Company's shares: 53%
(g) expected dividend yield: 0.0%
(h) risk-free interest rate: 3.16%

The expected price volatility is based on the historic volatility based on the year pre-grant date.

Options outstanding at balance date

There were 10,940,000 options outstanding at 30 June 2013 (2012:7,800,000).

Reconciliation of options on issue

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

	2013		2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
		$		$
Balance at beginning of the financial year	**7,800,000**	**0.45**	7,850,000	0.45
Granted during the financial year (i)	**11,710,000**	**0.29**	8,800,000	0.45
Exercised during the financial year (ii)	**-**	**-**	(6,200,000)	(0.45)
Lapsed during the financial year (iii)	**(7,800,000)**	**0.45**	(2,650,000)	(0.45)
Forfeited during the financial year (iv)	**(770,000)**	**0.29**	-	-
Balance at end of the financial year	**10,940,000**	**0.29**	7,800,000	0.45
Exercisable at end of the financial year	**10,940,000**	**0.29**	7,800,000	0.45

i. During the current year, 11,710,000 (30 June 2012: 8,800,000) shares options were issued at a weighted exercise price of $0.29 (30 June 2012: $0.45).

ii. During the current year, nil (30 June 2012: 6,200,000) share options were exercised for a weighted average exercise price of nil (30 June 2012:$0.45).

iii. During the current year, 7,800,000 (30 June 2012: 2,650,000) share options lapsed at a weighted average exercise price of $0.45 (30 June 2012: $0.45).

iv. During the current year, 770,000 shares options were forfeited at a weighted averaged exercise price of $0.29 due to employees or contractors resigning.

5. SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

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.

6. REMUNERATION OF AUDITORS

The auditor of Cape Lambert Resources Limited is Ernst & Young.

	Consolidated	
	30 June 2013	**30 June 2012**
	$	**$**
Amounts received or due and receivable by Ernst & Young for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**259,738**	31,472
Tax compliance	**22,500**	-
	282,238	31,472
Amounts received or due and receivable by non-Ernst & Young audit firms for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	**104,907**	227,729
Tax compliance	**131,769**	-
	236,676	227,729

7. TRADE AND OTHER RECEIVABLES

Trade and other receivables – current	**Notes**		
Trade debtors		**175,778**	314,324
GST recoverable and other debtors		**184,417**	314,228
Prepayments		**223,068**	161,087
Interest receivable		**441,153**	814,384
Deferred consideration receivable		**2,500,000**	3,200,000
Loans to ASX-listed entities (a)		**3,103,569**	6,678,218
Proceeds receivable on sale of controlled entity	21	**10,750,000**	-
Other receivable on sale of controlled entity		**618,611**	-
Other		**416,500**	-
Funds in trust		**-**	199,437
		18,413,096	11,681,678

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Current loans to ASX listed entities at balance date are made up as follows:

	Interest rate	Carrying value of loans 30 June 2013	30 June 2012
		$	$
Current			
Drawdown from $2,000,000 loan facility (i)	7.0%	**2,000,000**	1,289,000
Drawdown from $1,000,000 loan facility (i)	7.0%	**790,000**	-
Loan of $400,000 (ii)	12.0%	**400,000**	-
Loan of $500,000 (iii)	16.0%	**500,000**	-
Convertible loan note of $2,000,000 (iv)	12.0%	**1,693,841**	1,693,841
Convertible loan note of $1,000,000 (v)	10.0%	**604,113**	-
Convertible loan note of $2,000,000 (vi)	10.0%	**-**	1,098,667
Convertible loan note of $1,500,000 (vi)	10.0%	**-**	1,020,822
Fair value of loans at inception		**5,987,954**	5,102,330
Interest receivable recognised using the effective interest rate		**1,182,387**	2,798,737
Interest received at the coupon rate		**(566,772)**	(1,122,849)
Partial repayment of loan note (iv)		**(100,000)**	(100,000)
Impairment of receivables		**(3,400,000)**	-
Current carrying value at amortised cost at balance date		**3,103,569**	6,678,218

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

a. 31 December 2013;

b. or upon receipt of proceeds by Fe Limited from completion of its sale of its wholly owned subsidiary Gympie Eldorado Pty Ltd and sale of freehold land currently held by this subsidiary.

In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 30 June 2013, $790,000 has been drawn down from this facility.

(ii) In December 2012, the Company advanced $400,000 to Global Strategic Metals NL (**Global**). Interest is payable at 12%. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global exercisable at $0.10 each on or before 31 January 2015. The loan is repayable the earlier of:

a. That day which is five days after receipt of cleared funds of no less than $1,500,000 by Global by way of a debt or equity fundraising;

b. 31 December 2013; and

c. 5 Business Days after the dale on which Global receives a notice from the Lender.

(iii) In June 2013, the Company advanced $500,000 to Latin Resources Limited (**Latin**). Interest is payable at 16%. In part consideration for the loan agreement, the Company has been issued with 2,000,000 shares in Latin and 2,000,000 share options in Latin exercisable at $0.20 each on or before 26 October 2014. The loan (including interest and a $50,000 arrangement fee) was repaid on 22 August 2013.

7. TRADE AND OTHER RECEIVABLES (CONTINUED)

(iv) In September 2009, the Company subscribed for convertible loan notes of $2,000,000 in South East Asia Resources Limited (formerly Victory West Metals Limited). 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.

(v) In August 2012, the Company subscribed for convertible loan notes of $1,000,000 in OGL Resources Limited. 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.

(vi) In July 2012, the Consolidated Entity converted the Cauldron Energy Limited convertible loan notes (plus interest accrued) into shares in an associate entity. Refer to note 12(b) for details.

Risk Exposure

The Consolidated Entity's exposure to risk is discussed in more detail in note 27. An impairment provision of $3,400,000 has been raised in relation to receivables past due or where there is doubt over the full recovery of the receivable.

8. OTHER FINANCIAL ASSETS

Financial Assets at Fair value through Profit or Loss

	Notes	Consolidated 30 June 2013	Consolidated 30 June 2012
		$	**$**
Shares in listed entities (a)		**6,039,545**	19,127,628
Call options (b)		**33,246**	578,335
		6,072,791	19,705,963
Financial Assets Available-for-sale			
Shares in unlisted entities (c)		**5,000,000**	7,000,000
Total Financial Assets		**11,072,791**	26,705,963

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

	Notes	Year ended 30 June 2013	Year ended 30 June 2012
		$	**$**
Brought forward		**19,127,628**	17,725,237
Purchase of equity investments		**684,933**	6,570,743
Reclassification of investment in associate to financial asset at fair value through profit or loss		**1,328,692**	-
Shares in listed entity received upon advance of loan		**160,000**	-
Loss on fair value of financial assets through profit and loss	3 (g)	**(14,024,692)**	(5,459,448)
Impairment of investments		**(1,237,016)**	-
Disposal of equity investments		**-**	(3,155,480)
Interest in listed shares transferred to interest in associate		**-**	(1,000,000)
Listed shares received as part consideration on the sale of controlled entity		**-**	3,440,000
Gain on disposal of financial assets through profit and loss		**-**	1,006,576
		6,039,545	19,127,628

(b) Conversion and call options exercised during the year

30 June 2013

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

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

During the year ended 30 June 2013, the Company recognised a loss on fair value of financial assets through profit and loss of $1,102,256 (30 June 2012: gain of $179,308) in relation to conversion and call options.

30 June 2012

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

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

	Year ended 30 June 2013	Year ended 30 June 2012
	$	$
Brought forward	**7,000,000**	12,200,000
Purchase of equity investments	**-**	1,000,000
Impairment of investment in unlisted entity	**(2,000,000)**	(6,200,000)
	5,000,000	7,000,000

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

(d) Impairment and Risk exposure

The Cape Lambert Group's exposure to risk is discussed in note 27.

9. RESTRICTED CASH

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Current restricted cash		
Term deposits	**6,449,963**	652,344
Brought forward	**652,344**	544,240
Reclassified as current	**2,391,974**	690,398
Payment of restricted cash in relation to environmental bonds / performance bonds	**3,444,979**	131,396
Release of restricted cash in relation to environmental bonds / performance bonds	**(132,104)**	(610,110)
Exchange differences	**92,770**	(103,580)
	6,449,963	652,344
Non current restricted cash		
Term deposits	**81,833**	2,473,807
Brought forward	**2,473,807**	3,082,372
Payment of restricted cash in relation to environmental bonds / performance bonds	**-**	81,833
Reclassified as current restricted cash	**(2,391,974)**	(690,398)
	81,833	2,473,807

Restricted cash relates to term deposits, which are not readily accessible to the Consolidated Entity, held with financial institutions as security for bank guarantees issued to:

(a) Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas: and

(b) Landlords of leased properties.

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

The Company will have $5,651,492 of environmental and cash bonds returned to it in the near future in relation to the Leichhardt Project.

Risk Exposure

The Cape Lambert Group's exposure to risk is discussed in note 27.

10. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment	Buildings	Motor Vehicles	Furniture & Fittings	Leasehold Improvements	Total
	$	$	$	$	$	$
Cost						
At 1 July 2011	2,262,349	693,654	455,786	129,411	105,637	3,646,837
Additions	534,335	680,563	155,533	64,416	1,550,349	2,985,196
Disposals through sale of controlled entity (a)	(114,845)	-	-	-	-	(114,845)
Write down (b)	(89,383)	-	(77,311)	(64,594)	(105,637)	(336,925)
Exchange differences	(96,214)	-	(39,975)	(6,391)	-	(142,580)
Transfer of assets classified as held for sale (c)	(1,607,670)	(693,654)	(41,957)	-	-	(2,343,281)
At 30 June 2012	**888,572**	**680,563**	**452,076**	**122,842**	**1,550,349**	**3,694,402**
Additions (d)	64,777	130,578	178,853	52,476	75,831	502,515
Write down (b)	(275,232)	-	(184,560)	(12,941)	-	(472,733)
Exchange differences	78,966	20,266	34,908	3,090	25,239	162,469
At 30 June 2013	**757,083**	**831,407**	**481,277**	**165,467**	**1,651,419**	**3,886,653**
Accumulated depreciation						
At 1 July 2011	(479,201)	-	(146,780)	(44,592)	(105,637)	(776,210)
Depreciation expense	(532,247)	-	(62,810)	(7,863)	(135,512)	(738,432)
Write down (b)	60,841	-	32,096	38,106	105,637	236,680
Exchange differences	74,321	-	11,624	473	-	86,418
Transfer of assets classified as held for sale (c)	518,884	-	15,620	-	-	534,505
At 30 June 2012	**(357,402)**	**-**	**(150,250)**	**(13,876)**	**(135,512)**	**(657,040)**
Depreciation expense	(228,368)	(45,288)	(130,906)	(46,622)	(276,859)	(728,043)
Write down (b)	263,898	-	42,332	6,994	-	313,224
Exchange differences	(43,424)	-	(13,901)	9,251	(56,037)	(104,111)
At 30 June 2013	**(365,296)**	**(45,288)**	**(252,725)**	**(44,253)**	**(468,408)**	**(1,175,970)**

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant & Equipment	Buildings	Motor Vehicles	Furniture & Fittings	Leasehold Improvements	Total
	$	$	$	$	$	$
Net Book Value						
At 1 July 2011	1,783,148	693,654	309,006	84,819	-	2,870,627
Additions	534,335	680,563	155,533	64,416	1,550,349	2,985,196
Disposals through sale of controlled entity (a)	(114,845)	-	-	-	-	(114,845)
Depreciation expense	(532,247)	-	(62,810)	(7,863)	(135,512)	(738,432)
Write down (b)	(28,542)	-	(45,215)	(26,488)	-	(100,245)
Exchange differences	(21,893)	-	(28,351)	(5,918)	-	(56,162)
Transfer of assets classified as held for sale (c)	(1,088,786)	(693,654)	(26,337)	-	-	(1,808,777)
At 30 June 2012	**531,170**	**680,563**	**301,826**	**108,966**	**1,414,837**	**3,037,362**
Additions (d)	64,777	130,578	178,853	52,476	75,831	502,515
Depreciation expense (e)	(228,368)	(45,288)	(130,906)	(46,622)	(276,859)	(728,043)
Write down (b)	(11,334)	-	(142,228)	(5,947)	-	(159,509)
Exchange differences	35,542	20,266	21,007	12,341	(30,798)	58,358
At 30 June 2013	**391,787**	**786,119**	**228,552**	**121,214**	**1,183,011**	**2,710,683**

(a) On 16 December 2011, the Company completed the sale of the Sappes Gold Project (Sappes) to ASX listed Glory Resources Limited (ASX: GLY) (Glory). The sale of a controlled entity resulted in assets being disposed.

(b) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. The impairment loss represents the write down of certain plant and equipment to the recoverable amount. An item of property, plant and equipment initially recognised is derecognised when no future economic benefits are expected from use or its disposal.

(c) Assets held by Marampa Iron Ore Limited and Cape Lambert Leichhardt Pty Ltd have been reclassified as assets classified as held for sale as at 30 June 2012. Refer to note 29 for further details.

(d) Additions for the year of $1,006,824 per the Statement of Cash flows includes additions to assets classified as held for sale of $504,309. Refer to note 29 for further details.

11. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Exploration and evaluation phases	**48,301,425**	145,498,558
Movement in carrying amounts		
Brought forward	**145,498,558**	242,987,407
Exploration and evaluation expenditure capitalised during the year (a)	**8,947,400**	24,627,599
Exploration assets sold during the year (b)	**-**	(14,600,000)
Exploration expenditure impaired during the year (c)	**(107,165,456)**	(317,194)
Reclassified as held for sale (d)	**-**	(107,199,254)
Foreign currency gains / (losses)	**1,020,923**	-
Total exploration and evaluation phases	**48,301,425**	145,498,558

The value of the exploration expenditure is dependent upon:

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

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

(a) Exploration and evaluation expenditure capitalised during the year

Payments for exploration and evaluation per the statement of cash flows of $20,316,290 includes exploration capitalised on assets classified as non-current asset held for sale of $11,368,890. Refer to note 29 for further details.

(b) Exploration assets sold

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

(c) Impairment

During the year ended 30 June 2013, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation to the extent of $107,165,456 (30 June 2012: $317,194). Exploration assets reclassified as non-current assets held for sale have recognised an impairment loss of $357,735 during the year ended 30 June 2013 (30 June 2012: nil). The impairment is predominantly a consequence of the accounting values attributed to exploration assets acquired between 2009 and 2011 in Sierra Leone and Guinea and where the Directors have assessed that the carrying amount of these exploration and evaluation assets are unlikely to be recovered in ful from successful development or by sale. The recoverable amounts of these areas of interest were determined by management using a valuation model taking into account project data and current economic conditions.

(d) Held for sale

Exploration expenditure relating to the Marampa Project and the Leichhardt Project was reclassified as non-current assets held for sale. Refer to note 29 for further details.

12. INVESTMENTS IN ASSOCIATED ENTITIES

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Investments in associates accounted for using the equity method	**3,150,607**	9,085,972

(a) Investment details

Listed	Percentage held at balance date		Consolidated	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
	%	%	$	$
International Goldfields Limited	26.0	29.1	**-**	4,680,073
Fe Limited	19.9	19.9	**318,450**	712,652
Cauldron Energy Limited	21.1	18.4	**2,330,117**	772,691
Kupang Resources Limited	11.6	14.0	**-**	959,200
Global Strategic Metals NL	19.5	19.8	**502,040**	1,961,356
			3,150,607	9,085,972

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

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Balance at beginning of period	**9,085,972**	38,109,367
Acquisition of shares in associates (i)	**-**	4,139,620
Conversion of convertible loan notes (ii)	**3,965,891**	-
Exercise of call options (iii)	**858,500**	-
Share of losses of associates recognised during the year	**(3,550,631)**	(5,000,534)
Share of reserves of associates recognised during the year	**320,836**	(582,092)
Interest in associated reclassified as interest in listed shares held at fair value through profit and loss due to loss of significant influence (iv)	**(1,328,692)**	-
Share of reserves of associated de-recognised during the year due to reclassification of investment in associate to listed shares carried at fair value through profit and loss (iv)	**679,197**	-
Interest in listed shares transferred to interest in associate	**-**	1,000,000
Interest in associate disposed of during the period (v)	**(1,100,000)**	(27,017,205)
Impairment loss (e)	**(5,780,466)**	(1,563,184)
	3,150,607	9,085,972

(i) The Company participated in a Global Strategic Metals NL share placement to the extent of 28,019,365 shares for $1,961,356 on 29 June 2012 resulting in a 19.81% interest.

(ii) In July 2012, the Company converted the $2,000,000 and $1,500,000 convertible loans (plus $465,891 interest receivable) into 19,829,452 shares in Cauldron Energy Limited.

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

(iv) The Company reclassified the investment in International Goldfields Limited (ASX:IGS) in May 2013 pursuant to Tony Sage resigning from the Board of Directors of IGS thereby losing significant influence. Since that date the Company has no participation in policy making processes, no material transactions, no interchange of management personnel and no provision of technical information.

(v) In March 2013, the Company disposed of 5,000,000 shares in Cauldron Energy Limited

12. INVESTMENTS IN ASSOCIATED ENTITIES (CONTINUED)

On 11 January 2012, Exxaro Australia Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited (Exxaro), made a takeover offer of all the shares and listed options in African Iron Limited (ASX: AKI) (African Iron) (Takeover Offer). Pursuant to the terms of the Takeover Offer, Exxaro offered $0.51 cash for each African Iron share and varied the Takeover Offer to increase the offer price to $0.57 per African Iron share on 27 February 2012 subsequent to acquiring a relevant interest in over 75% of African Iron shares. The Company accepted the Takeover Offer in respect of all African Iron shares and received cash proceeds of $72,219,000. The company has recognised a pre-tax gain on sale of African Iron of $45,305,407 during the current period. The gain on disposal of African Iron recognised is comprised as follows:

	30 June 2012
	$
Cash proceeds received	72,219,000
Less:	
Carrying value of investment in associate sold	(27,017,205)
Share of reserves released on disposal of associate	103,612
Gain on disposal of associate	45,305,407

(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 2013	30 June 2012
	$	$
Fe Limited[1]	**459,776**	712,652
Cauldron Energy Limited	**3,359,905**	2,922,084
Kupang Resources Limited[1]	**2,026,365**	2,126,433
Global Strategic Metals NL[1]	**502,040**	1,400,968

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

(d) Summarised financial information

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

	30 June 2013	30 June 2012
	$	$
Extract from statement of financial position at 100%:		
Assets	**50,385,491**	97,122,519
Liabilities	**16,828,204**	32,980,029
Extract from statement of comprehensive income at 100%:		
Revenue	**412,006**	26,549,259
Net Profit / (Loss)	**(21,179,587)**	(4,514,532)

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 2013. 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 $5,780,466 have been recognised (2012: $1,563,184).

13. TRADE AND OTHER PAYABLES

Current	Consolidated 30 June 2013	30 June 2012
	$	**$**
Unsecured		
Trade payables	**590,040**	989,856
Other creditors and accruals	**3,076,791**	3,630,603
	3,666,831	4,620,459

Risk Exposure

The Cape Lambert Group's exposure to risk is discussed in note 27.

Terms and Conditions

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.

(ii) Sundry creditors and accruals are non-interest bearing and have an average term of 30 days.

14. PROVISIONS

	Consolidated 30 June 2013	30 June 2012
	$	**$**
Current provisions		
Employee entitlements	**72,640**	68,517
Provision for obligations under onerous lease	**264,818**	-
Other	**28,056**	-
	365,514	68,517
Non Current provisions		
Provision for obligations under onerous lease	**1,124,301**	-
	1,124,301	-

Provisions are made for obligations under onerous operating leases when the properties are not used by the Group and the net cost of exiting from the leases exceed the economic benefits expected to be received.

15. ISSUED CAPITAL

	Consolidated	
	30 June 2013	30 June 2012
	$	$
679,691,942 fully paid ordinary shares (2012: 689,108,792)	**195,614,664**	197,050,776

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

Movement in ordinary shares on issue

	Ordinary fully paid shares	
2013	**Number**	**$**
Shares on issue at 1 July 2012	689,108,792	197,050,776
Shares cancelled as part of on-market buyback (a)	(9,416,850)	(1,436,112)
Shares on issue at 30 June 2013	**679,691,942**	**195,614,664**

(a) In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. Canaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back. During the year ended 30 June 2013, the Company bought back 9,416,850 Shares for a total consideration of $1,436,112.

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

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

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

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

15. ISSUED CAPITAL (CONTINUED)

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.

Consistent with others in the industry, the Cape Lambert 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 2013	30 June 2012
	$	$
Total Trade and other payables	**3,666,831**	4,620,459
less: Cash and cash equivalents	**(16,915,095)**	(87,524,867)
Net (cash)/debt	**(13,248,264)**	(82,904,408)
Total equity	**233,994,251**	373,645,422
Total capital	**220,745,987**	290,741,014
Gearing ratio	**0%**	0%

16. RESERVES

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Foreign currency translation reserve	**4,273,414**	(1,253,731)
Share based payments reserve	**1,811,542**	1,641,973
Business combination reserve	**(1,603,919)**	(1,603,919)
	4,481,037	(1,215,677)
Foreign currency translation reserve		
Balance at beginning of financial year	**(1,253,731)**	(1,099,712)
Foreign currency exchange differences arising on translation of foreign operation	**4,365,480**	524,630
Share of movement of associate's foreign currency translation reserve	**320,836**	(678,649)
Share of movement of associate's foreign currency translation reserve released due to reclassification of associate to listed shares fair valued through profit and loss	**840,829**	-
Balance at end of financial year	**4,273,414**	(1,253,731)
Share based payments reserve		
Balance at beginning of financial year	**1,641,973**	1,828,484
Share of movement of associate's share based payments reserve	**-**	(724,106)
Share of movement of associate's share based payments reserve released due to reclassification of associate to listed shares fair valued through profit and loss	**(161,632)**	-
Options issued	**331,201**	537,595
Balance at end of financial year	**1,811,542**	1,641,973

16. RESERVES (CONTINUED)

	Consolidated	
	30 June 2013	**30 June 2012**
	$	**$**
Business combination reserve		
Balance at beginning of financial year	**(1,603,919)**	-
Acquisition of non controlling interests	**-**	(1,603,919)
Balance at end of financial year	**(1,603,919)**	(1,603,919)

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.

Business combination reserve

The business combination reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

17. RETAINED EARNINGS

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Balance at beginning of financial year	**177,810,325**	155,086,616
Profit / (loss) for the year	**(143,911,775)**	22,723,709
Balance at end of financial year	**33,898,550**	177,810,325

18. EARNINGS PER SHARE

	2013 Cents per Share	2012 Cents per Share
Basic (loss) / earnings per share (a)	**(20.93)**	3.40
Diluted (loss) / earnings per share (b)	**(20.93)**	3.37

(a) Basic (Loss) / Earnings per Share

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

	30 June 2013 $	30 June 2012 $
(Loss) / profit for the year	**(143,911,775)**	22,723,709

	2013 Number	2012 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**687,690,153**	668,965,447

(b) Diluted (Loss) / 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 2013 $	30 June 2012 $
(Loss) / profit for the year	**(143,911,775)**	22,723,709

	2013 Number	2012 Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share (c)	**687,690,153**	674,303,488

(c) Weighted average number of shares

	2013 Number	2012 Number
Weighted average number of ordinary shares for the purposes of basic (loss) / earnings per share	**687,690,153**	668,965,447
Effect of dilution:		
Share options	**-**	5,338,041
	687,690,153	674,303,488

There are 10,940,000 share options 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 the current period presented.

Since 30 June 2013 and prior to the date of completion of these financial statements, 265,000 share options have been forfeited and nil share options have been exercised.

19. COMMITMENTS

	Consolidated 30 June 2013	Consolidated 30 June 2012
	$	**$**
Operating lease commitments		
Minimum lease payments not provided for in the financial report and payable:		
not later than one year	**642,607**	1,059,548
later than one year but not later than five years	**1,849,602**	3,792,400
later than five years	**-**	-
Aggregate expenditure contracted for at balance date but not provided for	**2,492,209**	4,851,967

The Company entered into a lease commencing on 1 April 2012 for office premises at 32 Harrogate Street, West Leederville, for a period of 5 years, terminating on 31 March 2017.

Cape Lambert Minsec Pty Ltd (**Cape Lambert Minsec**), 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 2 July 2017.

Cape Lambert Minsec has entered into sub-lease agreements for office premises located in Golden Square, London until 2 July 2017. Provisions are made for obligations under onerous operating leases where the properties are not used by the Group and the net cost of exiting from the leases exceed the economic benefits expected to be received. Refer to note 14 for further details.

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

a. 31 December 2013;

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

In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 30 June 2013, $790,000 has been drawn down from this facility.

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 not payable:

	Consolidated 30 June 2013	Consolidated 30 June 2012
	$	**$**
Not longer than one year	**17,125,694**	11,659,702
Longer than one year, but not longer than five years	**35,377,841**	11,994,771
Longer than five years	**-**	10,365
	52,503,535	23,664,837

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.

20. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2013, the Cape Lambert Group has the following contingent liabilities and contingent assets:

	Consolidated	
	30 June 2013	30 June 2012
	$	$
Contingent Assets		
Consideration receivable in relation to the sale of the Cape Lambert Project[1]	**80,000,000**	80,000,000
Consideration receivable in relation to the sale of the Sappes Gold Project[3]	**10,000,000**	10,000,000
Royalty in relation to the sale of African Iron Limited[4]	**-**	-
Contingent Liabilities		
Tax payable in relation to notice of amended tax assessment[2]	**(107,115,344)**	(95,787,254)
Commission payable in relation to the sale of the Cape Lambert Project[1]	**(7,600,000)**	(7,600,000)

[1] Contingent asset and liability in relation to the sale of Cape Lambert Project

During the year ended 30 June 2008, the Company entered into an agreement with an Australian company MCC Mining (Western Australia) Pty Ltd (**MCC WA**) for the sale of the Cape Lambert tenements and related assets (**Project,** and **Sale Agreement**). MCC WA was a wholly owned subsidiary of Chinese state owned enterprise Metallurgical Corporation of China (**MCC China**). MCC WA later novated its rights and obligations under the Sale Agreement to another Australian subsidiary of MCC China, MCC Australia Sanjin Mining Pty Ltd, (**MCC Sanjin**). In December 2008 the Company entered into a Parent Company Guarantee Agreement (**Guarantee**) under which MCC China agreed to indemnify the Company for any loss or damage caused by reason of MCC WA or MCC Sanjin's breach or non-performance.

The total cash consideration payable under the Sale Agreement was $400,000,000. In February 2008 a $10,000,000 cash deposit (of which $5,000,000 was non-refundable to secure exclusive due diligence rights for the acquisition of the Project) was paid to the Company. The balance was, to be paid in three tranches, namely:

1 $230,000,000 at settlement date (6 August 2008);

2 $80,000,000 within 45 days of the settlement date (received on 15 September 2008); and

3 $80,000,000 within 7 days of satisfaction of certain mining approval conditions in respect of the Project or if MCC has not used its reasonable endeavours to procure the mining approvals within two years (**Third Tranche**) (collectively, the **Purchase Price**).

The deposit and first two payments of the Purchase Price have been received by the Company. The Third Tranche payment of the Purchase Price, being $80,000,000, remains unpaid.

The Company is presently engaged in an international arbitration against MCC WA, MCC Sanjin and MCC China (as guarantor) for payment of the Third Tranche.

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

In September 2010, the Company commenced legal action at the Supreme Court of Western Australia (**Court**) to recover the third tranche payment ($80,000,000), against all three MCC entities. MCC applied for a stay of the proceedings on the grounds that the relevant agreements contained mandatory dispute resolution procedures. The Company sought orders that the stay be granted on condition that $80,000,000 be paid into an escrow account, in reliance on a clause in the Guarantee requiring payment into escrow in the event of a dispute between the parties. In August 2012 the Court granted the stay on the condition that MCC China consent to orders that the Arbitrator hear the escrow dispute.

20. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

In September 2012 the arbitral proceedings commenced. Those proceedings are on-going and are being conducted out of the Singapore International Arbitration Centre. On 7 August 2013 the Arbitrator issued a Partial Award requiring MCC China to pay the sum of $80,000,000 into an escrow account (to be opened in the joint names of the parties with a major trading bank within Australia) within 21 business days of the date of the order pending the determination of the substantive dispute. The Company announced to the market the following morning the details of the Partial Award.

As at 30 June 2013, the payment of $80,000,000 had not been received by the Company and the payment of $80,000,000 has not been paid into the escrow account. Given the uncertainty surrounding the receipt of this payment, the Company has not recognised the payment owing as a receivable.

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

[2] Contingent liability for income tax including interest and penalties in relation to an amended tax assessment

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

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

1 the ATO have assessed that income tax should have been paid in 2009 on the fair value of the contingent receivable due from MCC (refer Note 20(1)) and have determined a fair value of $56,300,000 (tax effect of $16,890,000) for this purpose;

2 the ATO have assessed that deductions claimed for exploration arising from the acquisition of the Lady Annie and Lady Loretta projects in the 2009 year of $137,526,510 (tax effect of $41,257,953) were not immediately deductible against 2009 taxable income. These deductions would then be realised in subsequent years when these projects were sold; and

3 following the adjustments made in (a) and (b) above, the ATO have also assessed other adjustments that give rise to an increase in carried forward tax losses amounting to $1,684,128 (tax effect of ($505,238)).

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an Arrangement for Payment (**Arrangement**) of half the primary tax and shortfall interest charge assessed pending the outcome of the objection lodged by the Company. After this time, the rate of general interest charge accruing on the unpaid balance of disputed tax and shortfall interest charge will be reduced by half. Under the Arrangement, the ATO has confirmed that no further amounts will be required to be paid by the Company until the final determination of the dispute and no collection action will be taken by the ATO until this time.

As at 30 June 2013, the Company has paid the full amount of $33,395,426 under the Arrangement which is reflected as prepaid tax in these accounts. The Company believes that it has a strong defence to the disputed matters and continues to vigorously defend this position whilst the objection is ongoing.

20. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

If the Company was unsuccessful in its dispute on the Amended Assessment, the Company would have a cash outflow of $73,615,924 to the ATO together with any costs incurred in defending its position plus additional interest that may accrue to the point of resolution. As at 30 June 2013 the Amended Assessment plus interest accrued at the full general interest rate to 30 June 2013 is $107,115,344. All interest, penalties and costs of defending its position contained in the Amended Assessment would be expensed to the profit and loss and the $137,526,510 of deductions claimed in the 2009 year would be carried forward as deductions against taxable income declared in years subsequent to the 2009 year and/or available as carried forward tax losses that could be recognised as an asset in the financial statements to the extent that it was probable that future taxable income would be available to utilise them.

[3] Contingent asset in relation to the sale of the Sappes Gold Project

During the year ended 30 June 2012, the Company disposed of 100% of its interest in the Sappes Project to Glory Resources Limited, an Australian listed Company, for a consideration of $46.5 million. The purchase consideration includes two contingent payments of $5.0 million each, which are payable once certain operating permits and production related milestones are achieved. As at 30 June 2013, the Company has not recognised either amount as a receivable.

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

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

On 14 March 2013, the Company announced the appointment of Deutsche Bank AG to sell the Mayoko Royalty. Based on the assumption the Mayoko Project will produce 2mtpa in 2015-16 and then 10mtpa from 2017 onwards with a mine life of 30 years, the Company has an NPV value on the Mayoko Royalty of A$55m-A$114m.

As at 30 June 2013, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

21. DISPOSAL OF CONTROLLED ENTITY

On 28 June 2013, the Company announced that following completion of due diligence inquiries by the purchaser and receipt of a "no objection" letter for the acquisition pursuant to the Foreign Acquisition and Takeover Act 1975 (Cth), the sale of its wholly owned subsidiary, Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project became unconditional. The purchaser paid a $2,000,000 non-refundable deposit in April 2013 and a second $2,000,000 non-refundable deposit in June 2013. The Company received the balance of the consideration, being $10,750,000 and transitional funding associated with the Leichhardt Project from 1 May 2013 until completion on 8 July 2013. Additionally, the Company will have a $5.6m of environmental and cash bonds returned to it in the near future.

The profit on sale of Leichhardt recognised in the consolidated statement of profit or loss and other comprehensive income is comprised as follows:

	Notes	$
Cash proceeds received		4,000,000
Cash receivable at balance date[1]	7	10,750,000
Total Consideration		14,750,000
Less:		
Cash and cash equivalents		32,224
Trade and other receivables		416,500
Inventory		241,985
Restricted cash		20,000
Plant and equipment		1,320,533
Capitalised exploration and evaluation		20,729,813
Trade and other payables		(1,215,950)
Provisions		(37,586)
Provision for rehabilitation		(5,671,492)
Deferred tax liability		(4,327,033)
Net assets of entity disposed		(11,508,994)
Profit on disposal		3,241,006

[1] Final cash settlement was received on 8 July 2013.

22. SUBSIDIARIES

			Ownership Interest	
Name of Entity	**Deregistration Date**	**Country of Incorporation**	**2013 %**	**2012 %**
Parent entity				
Cape Lambert Resources Limited		Australia	-	-
Subsidiaries				
African Minerals Exploration Pty Ltd[3]		Australia	100%	100%
Allied Mining Pty Ltd[1]	13/01/2013	Australia	-	100%
Australian Ferroalloys Pty Ltd[1]	09/01/2013	Australia	-	100%
Australis Exploration Pty Ltd[3]		Australia	100%	100%
Buka Minerals (No 2) Pty Ltd[1]	09/01/2013	Australia	-	100%
Buka Minerals Pty Ltd		Australia	100%	100%
Buka Technologies Pty Ltd[1]	09/01/2013	Australia	-	100%
CopperCo Minerals Pty Ltd[1]	22/04/2013	Australia	-	100%
Copperwell Pty Ltd[1]	09/01/2013	Australia	-	100%
Cape Lambert Leichhardt Pty Ltd[4]		Australia	-	100%
Cape Lambert Minsec Pty Ltd		Australia	100%	100%
Cape Lambert Projects Pty Ltd[1]	09/01/2013	Australia	-	100%
Central African Resources Limited[5]		Mauritius	-	100%
Danae Resources Pty Ltd		Australia	100%	100%
Dempsey Resources Bermuda Limited		Bermuda	100%	100%
Dempsey Resources Pty Ltd		Australia	100%	100%
Evanston Resources NL[2]		Australia	-	100%
Goodwest Investments Pty Ltd[1]	09/01/2013	Australia	-	100%
Guinea Exploration Limited[3]		Australia	-	100%
International Goldfields (Romania) Pty Ltd	13/01/2013	Australia	-	100%
Kadina Pty Ltd[1]	13/01/2013	Australia	-	100%
Kukuna Resources Limited[3]		Australia	-	100%
Manor Resources NL[1]	09/01/2013	Australia	-	100%
Marampa Iron Ore (Bermuda) Limited		Bermuda	100%	100%
Marampa Iron Ore Limited		British Virgin Islands	100%	100%
Marampa Iron Ore (SL) Limited		Sierre Leone	100%	100%
Metals Exploration (Australia) Pty Ltd[3]		Australia	100%	100%
Metals Exploration (Bermuda) Limited		Australia	100%	100%
Metals Exploration (Guinea) Limited SA		Guinea	100%	100%
Metal Exploration (Mauritius) Limited		Mauritius	100%	100%
Metal Exploration (SL) Limited		Sierra Leone	100%	100%
Millennium Minerals Operations Pty Ltd[1]	13/01/2013	Australia	-	100%
Mineral Exploration (Bermuda) Limited		Bermuda	100%	100%
Mineral Assets (Bermuda) Limited		Bermuda	100%	100%
Mineral Assets Pty Ltd[3]		Australia	100%	100%
Mineral Projects Pty Ltd[3]		Australia	100%	100%
Mineral Securities (China) Pty Ltd[1]	13/01/2013	Australia	-	100%
Mineral Securities Investments (Australia) Pty Ltd		Australia	100%	100%
Mineral Securities Holdings Pty Ltd[2]		Australia	100%	100%
Mineral Securities Hong Kong (NK) Limited[1]		Hong Kong	-	88%
Mineral Securities Limited		British Virgin Islands	100%	100%
Mineral Securities (NK) Pty Ltd[2]		Australia	100%	100%

22. SUBSIDIARIES (CONTINUED)

			Ownership Interest	
Name of Entity	**Deregistration Date**	**Country of Incorporation**	**2013 %**	**2012 %**
Mineral Securities Operations Pty Ltd[3]		Australia	100%	100%
Mineral Securities (SA) P/L[1]	16/07/2012	South Africa	-	83.3%
Mineral Securities (UK) Ltd		UK	100%	100%
Mining International Pty Ltd[3]		Australia	100%	100%
Mining Quest Pty Ltd[3]		Australia	100%	100%
Minsec Investments (BVI) Limited		British Virgin Islands	100%	100%
Minsec Investment Holdings (BVI) Limited		British Virgin Islands	100%	100%
Mojo Mining Pty Ltd		Australia	100%	100%
Mt Anketell Pty Ltd		Australia	100%	100%
Pinnacle Group Assets Limited		British Virgin Islands	100%	100%
Pinnacle Group Assets (SL) Limited		Sierra Leone	100%	100%
Platmin Holdings Pty Ltd[2]		Australia	-	100%
Project Afrique Pty Ltd[2,3]		Australia	-	100%
Q Copper Australia Limited[1]		Australia	-	100%
Scarborough Minerals (Australia) Pty Ltd[1]	13/01/2013	Australia	-	100%
Scarborough Minerals (Finance) Ltd[1]		UK	-	100%
Scarborough NL[2]		Australia	-	100%
Sierra Exploration SA[1]		Chile	-	100%

[1] Entity was liquidated and deregistered by ASIC during the current year.

[2] An application for deregistration was lodged with ASIC during the year with ASIC and notices of the proposed deregistration were published on ASIC's insolvency website. The deregistration of the company is expected in September 2013.

[3] Entity was converted to a Pty Ltd company during the period.

[4] Cape Lambert Leichhardt Pty Ltd was sold during the current year. Refer to Note 21 for details.

[5] The interest in Central African Resources Limited was reduced to 20% during the year.

23. SEGMENT INFORMATION

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. In the case of the Cape Lambert Group the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Consolidated Entity as one operating segment, as the Cape Lambert Group's activities relate to mineral exploration.

Accordingly, the Cape Lambert Group has only one reportable segment and the results are the same as the Cape Lambert Group results.

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:

	30 June 2013	30 June 2012
	$	$
Australia	**40,502,530**	17,006,781
West Africa	**47,137,444**	140,615,112
Total	**87,639,974**	157,621,893

24. RELATED PARTY DISCLOSURES

Subsidiaries

The consolidated financial statements include the financial statements of Cape Lambert Resources Limited and the subsidiaries listed in note 22.

Ultimate parent

The ultimate Australian parent entity is Cape Lambert Resources Limited.

Transactions with related parties

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

Agreements entered into with related parties

Office lease agreement with Okewood Pty Ltd

The Company entered into a lease agreement with Okewood Pty Ltd, a company owned by Tony Sage, for the lease of 32 Harrogate Street, West Leederville WA 6007 on 1 April 2012.

The lease covers the rental, outgoings and parking charges for the term of the lease (1 April 2012 to 31 March 2017) and was made on commercial terms and conditions at market rates. Refer to the table which outlines the amount paid to Okewood Pty Ltd.

Sub-lease agreements for office space

On 25 June 2012, the Company has entered into sub-lease agreements with the following related entities:

African Petroleum Corporation Limited
International Petroleum Limited
Fe Limited
Cauldron Energy Limited

The lease covers the rental, outgoings and parking charges for a five year term that mirrors the lead lease agreement and was made on commercial terms and conditions at market rates. Refer to the table which summarises the recharges.

On 6 July 2012, the Company entered into sub-lease agreements with Global Strategic Metals NL (**Global**). The lease covers the rental, outgoings and parking charges for a five year term that mirrors the lead lease agreement and was made on commercial terms and conditions at market rates. Refer to the table which summarises the recharges during the current year.

Fe Limited loan facility

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

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

In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility.

As at 30 June 2013, $790,000 has been drawn down from this facility.

Global Strategic Metals loan

In December 2012, the Company advanced $400,000 to Global Strategic Metals NL (**Global**). Interest is payable at 12.0%. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global Strategic Metals NL exercisable at $0.10 each on or before 31 January 2015. The loan is repayable the earlier of:

a. That day which is five days after receipt of cleared funds of no less than $1,500,000 by Global by way of a debt or equity fundraising;

b. 31 December 2013; and

c. Five Business Days after the date on which Global receives a notice from the Lender.

24. RELATED PARTY DISCLOSURES (CONTINUED)

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Consulting fees paid	Amounts owed by related parties*	Amounts owed to related parties*
Related entities with common directors:						
African Petroleum Corporation Limited	**2013**	**80,156**	**-**	**-**	**2,170**	**-**
African Petroleum Corporation Limited	2012	25,453	-	-	-	-
International Petroleum Limited	**2013**	**56,955**	**-**	**-**	**42,525**	**-**
International Petroleum Limited	2012	24,494	-	-	-	-
Associate entities:						
Fe Limited	**2013**	**50,759**	**3,866**	**-**	**-**	**-**
Fe Limited	2012	15,286	-	-	36,583	-
Global Strategic Metals NL	**2013**	**146,507**	**181**	**-**	**13,170**	**-**
Global Strategic Metals NL	2012	-	-	-	-	-
Cauldron Energy Limited	**2013**	**130,607**	**-**	**-**	**17,603**	**-**
Cauldron Energy Limited	2012	44,218	-	-	36,583	-
International Goldfields Limited	2012	63,159	-	-	72,629	-
Kupang Resources Limited	**2013**	**54,041**	**-**	**-**	**3,065**	**-**
Kupang Resources Limited	2012	210,799	-	-	118,772	-
Director related entities:						
Perth Fashion Festival Pty Ltd	**2013**	**-**	**-**	**-**	**-**	**-**
Perth Fashion Festival Pty Ltd	2012	-	27,436	-	-	-
Perth Glory Football Club	**2013**	**-**	**53,364**	**-**	**-**	**-**
Perth Glory Football Club	2012	-	62,372	-	-	-
Okewood Pty Ltd	**2013**	**18,291**	**629,160**	**700,000**	**2,170**	**-**
Okewood Pty Ltd	2012	-	236,293	1,814,529	-	-
Key management personnel of the Group						
Lucy Sage[1]	**2013**	**26,680**	**-**	**-**	**-**	**-**
Lucy Sage	2012	-	-	-	-	-

* The amounts are classified as trade receivables and trade payables, respectively.

[1] The Company recharged Lucy Sage for personal costs incurred on behalf of Tony Sage.

Key management personnel

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

	Consolidated	
	2013	**2012**
	$	**$**
Short-term employee benefits	**1,683,973**	3,252,900
Post-employment benefits	**29,320**	7,750
Share based payments	**246,750**	268,798
	1,960,043	3,529,448

Detailed remuneration disclosures are provided in the remuneration report.

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:

	Balance 01-Jul-12 Number	Share based payment received Number	Received on exercise of options Number	On market purchases Number	On market sales Number	Balance 30-Jun-13 Number
Directors						
T Sage	40,440,430	-	-	7,825,000	(4,650,000)(i)	43,615,430
T Turner	1,500,000	-	-	23,000	-	1,523,000
R Levin	600,000	-	-	19,500	-	619,500
B Maher	815,000	-	-	55,000	-	870,000
Other Key Management Personnel						
J Hamilton	695,000	-	-	460,000	-	1,155,000
T Boucher (ii)	-	-	-	294,000	-	294,000
M Chapman	-	-	-	-	-	-
C Tolcon	112,750	-	-	165,000	(50,000)	227,750
	44,163,180	-	-	8,841,500	(4,700,000)	48,304,680

(i) Off-market trade of shares from Okewood Pty Ltd to EGAS Superannuation Fund.
(ii) Mr T Boucher was appointed in the role of General Manager – Operations on 8 October 2012.

	Balance 01-Jul-11 Number	Share based payment received Number	Received on exercise of options Number	On market purchases Number	On market sales Number	Balance 30-Jun-12 Number
Directors						
T Sage	35,740,430	-	2,800,000	1,900,000	-	40,440,430
T Turner	1,400,000	-	100,000	-	-	1,500,000
R Levin	-	-	600,000	-	-	600,000
B Maher	1,365,000	-	600,000	300,000	(1,450,000)	815,000
Other Key Management Personnel						
J Hamilton	650,000	-	-	400,000	(355,000)	695,000
K Bischoff	425,000	-	-	-	(425,000)i	-
GV Ariti	1,550,000	-	-	-	(1,550,000)ii	-
F Taylor (iii)	250,000	-	600,000	-	(850,000)	-
M Chapman	-	-	-	-	-	-
C Tolcon	-	-	500,000	30,000	(412,250)	112,750
	41,380,430	-	5,200,000	2,630,000	(5,042,250)	44,163,180

i) Mr K Bischoff resigned effective 1 June 2012. At the date of his resignation he held 25,000 shares and had sold 400,000 shares on market during the year.

ii) Mr GV Ariti resigned effective 26 June 2012. At the date of his resignation he held 1,200,000 shares and has sold 350,000 shares on market during the year.

iii) Ms F Taylor resigned effective 31 May 2012.

24. RELATED PARTY DISCLOSURES (CONTINUED)
KEY MANAGEMENT PERSONNEL (CONTINUED)

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.

	Balance 01-Jul-12 No.	Granted as remuneration No.	Lapsed during the year No.	Exercised during the year No.	Balance 30-Jun-13 No.	Vested and exercisable 30-Jun-13 No.
Directors						
T Sage	2,000,000	2,000,000	(2,000,000)	-	2,000,000	-
T Turner	500,000	500,000	(500,000)	-	500,000	-
R Levin	500,000	500,000	(500,000)	-	500,000	-
B Maher	500,000	500,000	(500,000)	-	500,000	-
J Hamilton	300,000	475,000	(300,000)	-	475,000	-
T Boucher	-	475,000	-	-	475,000	-
M Chapman	-	400,000	-	-	400,000	-
C Tolcon	300,000	400,000	(300,000)	-	400,000	-
	4,100,000	5,250,000	(4,100,000)	-	5,250,000	

During the current year, 5,250,000 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 in November 2012. The share options have been valued using the Black-Scholes option pricing model at a grant date.

	Balance 01-Jul-11 No.	Granted as remuneration No.	Lapsed during the year No.	Exercised during the year No.	Balance 30-Jun-12 No.	Vested and exercisable 30-Jun-12 No.
Directors						
T Sage	2,800,000	2,000,000	-	(2,800,000)	2,000,000	2,000,000
T Turner	900,000	500,000	(800,000)	(100,000)	500,000	500,000
R Levin	600,000	500,000	-	(600,000)	500,000	500,000
B Maher	600,000	500,000	-	(600,000)	500,000	500,000
J Hamilton	150,000	300,000	(150,000)	-	300,000	300,000
K Bischoff	-	-	-		-	-
GV Ariti	600,000	-	(600,000)	-	-	-
F Taylor	300,000	300,000	-	(600,000)	-	-
M Chapman	-	-	-	-	-	-
C Tolcon	500,000	300,000	-	(500,000)	300,000	300,000
	6,450,000	4,400,000	(1,550,000)	(5,200,000)	4,100,000	4,100,000

During the prior year, 4,400,000 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 25 November 2011. The share options have been valued using the Black-Scholes option pricing model at a grant date.

25. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2013:

» On 8 July 2013, the Company received the final sale proceeds of $10,750,000 for the sale of Cape Lambert Leichhardt Pty Ltd, the owner of the Leichhardt Project plus transitional funding associated with the Leichhardt Project from 1 May 2013 until completion. Additionally, the Company will have $5.6 million of environmental and cash bonds returned to it in the near future.

» In August 2013, the Company announced that the Arbitrator has ordered that MCC China pay the disputed amount of $80,000,000 into an escrow account in the joint names of the Company and MCC pending the determination of the substantive dispute.

» Since balance date, 3,500,000 shares have been bought back via the on-market buy back for $524,941.

Other than the above, no event has arisen since 30 June 2013 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.

26. 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 2013	30 June 2012
	Notes	$	$
Cash and cash equivalents			
Cash in banks and on hand		**4,034,354**	8,119,314
Deposits at call		**13,000,000**	80,292,595
Cash and cash equivalents per consolidated statement of cash flows		**17,034,354**	88,411,909
Less: cash and cash equivalents classified as held for sale	29	**(119,259)**	(887,042)
Cash and cash equivalents per consolidated statement of financial position		**16,915,095**	87,524,867

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

(Loss) / Profit from ordinary activities	**(143,911,775)**	22,723,709
Adjusted for non cash items:		
Gain on disposal of financial assets through profit & loss	**-**	(1,006,576)
Gain on disposal of associates	**-**	(45,305,407)
Other Income	**(321,280)**	-
Loss on transfer of investment in associate entity	**1,100,000**	
Gain on recognition of deferred consideration	**-**	(700,000)
Loss on fair value of financial assets through profit & loss	**15,166,948**	5,280,139
Interest income on loan facilities deferred	**-**	342,110
Non cash effective interest income	**(430,051)**	(1,430,371)
Non cash nominal interest income	**(153,563)**	
Depreciation and amortisation of non-current assets	**1,302,419**	738,432
Write off of assets	**-**	100,245
Share of losses of associates	**3,550,631**	5,000,534
Impairment of investment in associate	**5,780,466**	1,563,184
Share based payments	**331,201**	537,595
Impairment of capitalised exploration	**107,523,191**	317,194
Provision for impairment of investments	**3,237,016**	6,291,472
Provision for impairment of loans and interest receivables	**3,400,000**	-
Profit on disposal of controlled entity	**(3,241,006)**	(20,314,261)
Loss on extinguishment of debt	**-**	1,094,445
Foreign exchange	**(992,733)**	-
Other	**(211,804)**	1,172
Changes in net assets and liabilities, net of effects from business combination acquisitions:		
(Increase) / decrease in trade and other receivables	**820,773**	87,642
(Increase) / decrease in inventories	**(122,138)**	30,267
Increase / (decrease) in deferred tax balances	**(396,380)**	4,597,250
Increase / (decrease) in trade and other payables	**(1,557,796)**	(2,506,641)
(Increase) / decrease in prepaid tax	**(33,395,426)**	-
Increase / (decrease) in income tax payable	**(3,989,971)**	-
Net cash used in operating activities	**(45,122,159)**	(22,557,866)

(c) Non-Cash Activities

No significant non-cash investing or financing transactions occurred during the year ended 30 June 2013.

27. FINANCIAL RISK MANAGEMENT

The Cape Lambert Group is exposed to a variety of financial risks including market risk (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 meet its financial targets whilst minimising potential adverse effects on financial performance. 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 2013	30 June 2012
	$	$
Financial assets:		
Cash and cash equivalents	**16,915,095**	87,524,867
Cash and cash equivalents reclassified as held for sale	**119,259**	887,042
Restricted cash	**6,531,796**	3,126,151
Trade and other receivables	**18,413,096**	11,681,678
Trade and other receivables reclassified as held for sale	**37,627**	505,099
Other financial assets	**11,072,791**	26,705,963
	53,089,664	130,430,800
Financial liabilities:		
Trade and other payables	**3,666,831**	4,620,459
Trade and other payables reclassified as liabilities directly associated with non-current assets held for sale	**293,822**	1,398,278
	3,960,653	6,018,737

(a) Market Risk

(i) Foreign Currency Risk

The Cape Lambert Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions. The Consolidated Entity converted assets and liabilities into the functional currency where balances were denominated in a currency other than the Australian dollars.

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 2013, the Consolidated Entity had the following exposure to foreign currency:

	30 June 2013	30 June 2012
Financial assets:		
Cash and cash equivalents - USD	**$190,219**	$2,658,334
Cash and cash equivalents - GBP	**£6,760**	£7,451
Cash and cash equivalents - EUR	**€531,790**	€405,829
Cash and cash equivalents - CFA	**CFA9,488,380**	-
Cash and cash equivalents - SLL	**SLL207,780,146**	-
Cash and cash equivalents - GNF	**GNF233,394,549**	-

The Consolidated Entity recognised a foreign currency exchange profit for the year ended 30 June 2013 of $6,442 (2012: $229,369 loss) as a result of translating funds held in foreign currency to Australian dollars.

27. FINANCIAL RISK MANAGEMENT (CONTINUED)
(a) MARKET RISK (CONTINUED)

Movement of 10% in the foreign currency exchange rates as at 30 June 2013 would have increased the consolidated profit by $644 (2012: $22,937 profit).

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.

At the reporting date, the Cape Lambert Group had the following variable rate cash and cash equivalents and restricted cash:

	30 June 2013	30 June 2012
	$	$
Financial assets:		
Cash and cash equivalents	**16,915,095**	87,524,867
Cash and cash equivalents reclassified as held for sale	**119,259**	887,042
Restricted cash	**6,531,796**	3,126,151
	23,566,150	91,538,060
Weighted average interest rate	**3.45%**	4.47%

Movement of 50 basis points on the interest rate would have increased/ (decreased) the consolidated profit by $352,722 (2012: $297,646).

(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 on the Australian Stock Exchange (ASX).

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% (2012 – 10%) with all other variables held constant.

Consolidated	Impact on Post-Tax Profit/(Loss)		Impact on Equity	
	2013	2012	2013	2012
	$	$	$	$
Shares in listed entities	**603,954**	1,912,763	-	-
Call options	**3,325**	57,834	-	-
	607,279	1,970,597	-	-

(b) Credit Risk

Credit risk is managed on a consolidated basis. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Cape Lambert Group. 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 note 7. 95% (2012: 76%) of the Company's cash and cash equivalents are held by banks with a Moody's credit rating on Aa2.

	30 June 2013	30 June 2012
	$	$
Financial assets:		
Cash and cash equivalents and restricted cash	**23,446,891**	90,651,018
Loans and receivables[1]	**18,413,096**	11,681,678
Other financial assets	**11,072,791**	26,705,963
	52,932,778	129,038,659

[1] Included in loans and receivables is a loan note of $1,900,000 from a listed entity that was due for repayment in November 2011 and remains past due at balance date. A provision for impairment of $1,900,000 has been made at balance date.

(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 in relation to its operational, investing and financing activities.

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.

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

27. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2013.

	Level 1	Level 2	Total
	$	$	$
Financial assets:			
Financial assets at Fair value through Profit and Loss			
Shares in listed entities	6,039,545	-	6,039,545
Conversion options	-	-	-
Call options	-	33,246	33,246
	6,039,545	33,246	6,072,791

The following table presents the Consolidated Entity's assets measured at fair value at 30 June 2012.

	Level 1	Level 2	Total
	$	$	$
Financial assets:			
Financial assets at Fair value through Profit and Loss			
Shares in listed entities	19,127,628	-	19,127,628
Conversion options	-	-	-
Call options	-	578,335	578,335
	19,127,628	578,335	19,705,963

Investments in unlisted entities are classified as available for sale financial assets. These are traded in inactive markets and are carried at fair value. Management have assessed impairment and booked a provision of $1,000,000 in relation to an unlisted investment as at 30 June 2013 (2012: $6,200,000). Of the total impairment charges, nil (2012: $2,200,000) relates to an investment in a junior investment resource investment company which ceased operations during the second half of fiscal 2012. The remaining $2,000,000 (2012:$4,000,000) relates to an investment in a renewable energy company whose future prospects have been curtailed due to the progress of several key mining projects in the Jack Hills and Weld Range areas.

28. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary financial information

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

	30 June 2013	30 June 2012
	$	**$**
Statement of financial position		
Current assets	**272,834,627**	303,038,407
Total assets	**420,470,257**	432,136,929
Current liabilities	**(248,852,110)**	(136,184,875)
Total liabilities	**(269,955,965)**	(157,288,731)
Shareholders' equity		
Issued capital	**195,614,662**	197,050,776
Reserves	**1,666,073**	1,334,872
Retained earnings	**(46,766,444)**	76,462,550
Total equity	**150,514,292**	274,848,198
Net (loss) / profit for the year	**(123,228,994)**	20,029,421
Total comprehensive (loss) / income	**(123,228,994)**	20,029,421

(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 $2,102,282 (2012: $2,351,710). The Company will have $5,651,492 of environmental and cash bonds returned to it n relation to the Leichhardt project in the September 2013 quarter.

(c) 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 $5,484,180 (2010: $5,215,749) 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.

29. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Consistent with the Company's business model, the Company continues to respond to interest from third parties to acquire an equity stake in the Marampa Project. Based on the stage of current negotiations, at 30 June 2013 the Directors consider such a transaction to be highly probable.

The major classes of assets and liabilities of Marampa as at 30 June 2013 are as follows:

	Marampa	Total
	$	$
Assets		
Cash and cash equivalents	119,259	
Trade and other receivables	37,627	
Property, plant and equipment	461,555	
Capitalised exploration and evaluation costs	102,925,271	
Assets classified as held for sale		103,543,712
Liabilities		
Trade and other payables	293,822	
Provisions	89,580	
Deferred tax liability	4,500,332	
Liabilities directly associated with assets classified as held for sale		4,883,734
Net assets classified as held for sale as at 30 June 2013		**98,659,978**

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

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

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 2013 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 2013 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 2013.

Signed in accordance with a resolution of the Directors:

Tony Sage
Director

Perth, 27 September 2013

Independent Auditor's Report

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Independent audit report to members of Cape Lambert Resources Limited

Report on the financial report

We have audited the accompanying financial report of Cape Lambert Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising 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 controls as the directors determine are 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls 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 controls. 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.

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

Independence

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

GHM:MM:CapeLam:006

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 2013 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Emphasis of matter

We draw your attention to Note 20 to the financial statements which describes the uncertainty related to the outcome of the notice of amended tax assessment issued to the company by the Australian Taxation Office. Our opinion is not modified in respect of this matter.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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.

Opinion

In our opinion, the Remuneration Report of Cape Lambert Resources Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G H Meyerowitz
Partner
Perth
27 September 2013

GHM:MM:CapeLam:006

Corporate Governance Statement

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 2013. 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
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	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	No

Recommendation		Comply Yes / No
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes
3.5	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
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	The remuneration committee should be structured so that it: 8.2.1 consists of a majority of independent directors; 8.2.2 is chaired by an independent chair; and 8.2.3 has at least three members.	Yes
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Provide the information indicated in the guide to reporting on Principle 8.	Yes

The Board of Directors

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

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

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

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

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

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

Structure of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations. The names of the Directors and their qualifications and experience are stated in the Directors' Report. 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 Tim 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 Tony 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 Tony Sage. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes, Mr Tony Sage, remains the most appropriate person to fulfil the role of Chief Executive Officer.

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 Tony Sage	12 years & 9 months	(Executive Chairman)
Mr Tim Turner	9 years	(Non-Executive Director)
Mr Brian Maher	7 years & 9 months	(Non-Executive Director)
Mr Ross Levin	3 years & 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 but did occur post year end in conjunction with the negotiation of a new consultancy agreement between the Company and the Executive Chairman.

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

The Board has 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

The Company has a Securities Trading Policy in place which is in compliance with the ASX Listing Rules.

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 of their intention to do so and obtain confirmation from the chairman that there is no impediment to the person in trading in the Company's securities.

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.

A copy of the Company's Securities Trading Policy can be found on the Company's website, www.capelam.com.au.

Diversity Policy

The Company recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people.

Under the Company's Code of Conduct, employees must not harass, discriminate or support others who harass and discriminate against colleagues or members of the public on the grounds of sex, pregnancy, marital status, age, race (including their colour, nationality, descent, ethnic or religious background), physical or intellectual impairment, homosexuality or transgender. Such harassment or discrimination may constitute an offence under legislation.

The Company has 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 following table shows the representation of women in the Company as at 30 June 2013.

	Total Number	Women	% Women
Whole organisation	47	13	28%
Permanent technical staff (excl senior exec)	24	2	8%
Permanent admin staff (excl senior exec)	15	8	53%
Senior exec (including executive chairman)	5	3	60%
Senior exec (excluding executive chairman)	4	3	75%
Board members	4	0	0%

Attestations by Chief Executive Officer and Chief Financial Officer

It is the Board's policy, that the Chief Executive Officer and the Chief Financial Officer 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 Chief Executive Officer. The role of the Chief Executive Officer 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 Chief Financial Officer 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 Tim 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.
» 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 Tim Turner
Mr Brian Maher
Mr Ross Levin

Responsibilities

The responsibilities of a Remuneration Committee include setting policies for senior officers' remuneration, 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 Officer's performance.

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.

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.

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.

Additional Stock Exchange Information

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

The Company's registered and principal place of business is 32 Harrogate Street, West Leederville, Western Australia 6007 Australia.

Shareholding

The distribution of members and their holdings of equity securities in the Company as at 3 September 2013 are as follows:

Category (size of holding)	Total Holders	Number of Units
1- 1,000	192	89,202
1,001- 5,000	1,316	4,416,892
5,001- 10,000	1,034	8,800,640
10,001- 100,000	2,226	80,201,708
100,001 – 999,999,999	393	582,953,500
1,000,000,000 and over	0	0
Total	**5,161**	**676,191,942**

Equity Securities

As at 3 September 2013, there were 5,161 shareholders, holding 676,191,942 fully paid ordinary shares.

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

The number of shareholders holding less than a marketable parcel of shares is 1,028.

Options

The Company currently has 10,765,000 unlisted options exercisable at $0.29 each on or before 22 November 2013 on issue. The options are held by 31 holders.

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 who have notified the Company in accordance with section 671B of the *Corporations Act* are as follows:

	Fully paid ordinary shareholders	Number as per the Notice	% held of Issued Capital at the time of Notice
1	African Minerals Limited	122,023,000	18.05
2	The Capital Group of Companies Inc	70,167,114	10.29
3	BlackRock Group	44,020,725	6.41
4	Antony William Paul Sage	40,940,430	6.40

Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 3 September 2013 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	African Minerals Limited	122,023,000	18.05
2	HSBC Custody Nominees (Australia) Limited	96,372,950	14.25
3	National Nominees Limited	53,842,903	7.96
4	JP Morgan Nominees Australia Limited	42,777,038	6.33
5	Antony William Paul Sage <Egas Super Fund A/C>	40,940,430	6.05
6	BNP Paribas Noms Pty Ltd <DRP>	30,292,068	4.48
7	Citicorp Nominees Pty Limited	20,352,334	3.01
8	JP Morgan Nominees Australia Limited <Cash Income A/C>	14,343,459	2.12
9	CS Fourth Nominees Pty Ltd	8,995,773	1.33
10	HKT AU Pty Ltd <Moramba Serv Super Plan A/C>	5,714,309	0.85
11	HSBC Custody Nominees (Australia) Limited – A/C 2	5,459,477	0.81
12	Matthew Parrish Pty Ltd <The Parrish Family A/C>	4,803,535	0.71
13	Ganbaru Pty Ltd <The Parrish Super Fund A/C>	4,769,465	0.71
14	Keong Lim Pty Limited <SK Lim Family A/C>	4,733,360	0.70
15	Mr John Finlay McKenzie Rowley	3,059,224	0.45
16	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian Account>	2,669,967	0.39
17	Dr Deidre Christine O'Neill	2,667,000	0.39
18	Okewood Pty Ltd	2,425,000	0.36
19	HSBC Custody Nominees (Australia) Limited <CW A/C>	2,041,594	0.30
20	QIC Limited	1,978,653	0.29
		470,261,539	**69.55**

Schedule of Mineral Tenements Held at Balance Sheet Date

Tenement	Locality	Tenement Name
E47/1493-I	WA	Cape Lambert South
EPM15687	QLD	Glenorn 4
EPM15688	QLD	Glenorn 12
EPM15690	QLD	Glenorn 2
EPM15691	QLD	Glenorn 11
EPM15693	QLD	Glenorn 10
EPM15694	QLD	Glenorn 9
EPM15695	QLD	Glenorn 5
EPM15696	QLD	Glenorn 7
EPM15698	QLD	Glenorn 6
EPM15700	QLD	Glenorn 8
EPM16794	QLD	West Isa
EPM16796	QLD	West Isa
EPM16798	QLD	West Isa
EL26310	NT	Glasshouse 8
EL26311	NT	Glasshouse 9
EL26312	NT	Glasshouse 10
EL26701	NT	Glasshouse 12
Permit I A2010 057	Guinea	Sandenia
EL08/2012	Sierra Leone	Yaya
EL09/2012	Sierra Leone	Kukuna South
EL11/2011	Sierra Leone	Gbahama
EL12/2011	Sierra Leone	Yaya
EL13/2011	Sierra Leone	Gbinti
EL14/2011	Sierra Leone	Magbeti
EL15/2011	Sierra Leone	Lamkono
EL16/2011	Sierra Leone	Makonkari
EL17/2011	Sierra Leone	Karina
EL18/2011	Sierra Leone	Kukuna North
EL19/2011	Sierra Leone	Lankona North
EL20/2011	Sierra Leone	Marampa East
EL21/2011	Sierra Leone	Mawanka
EL22/2011	Sierra Leone	Kambia East
EL23/2011	Sierra Leone	Magbosi
EL24/2011	Sierra Leone	Gbangbama
EL25/2011	Sierra Leone	Gbinti West
EL22/2012	Sierra Leone	Kukuna
EL46A/2011	Sierra Leone	Marampa
EL46B/2011	Sierra Leone	Marampa
EL284	Cote D'Ivoire	Katiola
EL285	Cote D'Ivoire	Boundiali North
EL286	Cote D'Ivoire	Bouake

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