ANNUAL REPORT 2010

Cape Lambert Resources Ltd

CAPE LAMBERT RESOURCES LIMITED
(formerly Cape Lambert Iron Ore Limited)

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Annual Report
For The Year Ended
30 June 2010

CORPORATE DIRECTORY

Directors
Mr Tony Sage - Executive Chairman
Mr Brian Maher - Non-Executive Director
Mr Tim Turner - Non-Executive Director
Mr Ross Levin - Non-Executive Director (appointed 1 April 2010)

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

Company Secretary
Ms Eloise von Puttkammer

Former Names
Cape Lambert Iron Ore Limited
Hamill Resources Limited
International Goldfields Limited

Stock Exchange Listing
Australian Stock Exchange
ASX code: CFE

Country of Incorporation
Australia

Registered Office
18 Oxford Close
Leederville, Western Australia 6007
Australia
Tel: +61 8 9380 9555

Website
www.capelam.com.au

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

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

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

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

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

CHAIRMAN'S REPORT

Dear Shareholder,

The 2009-10 financial year has been another excellent year for Cape Lambert Resources Limited ("Cape Lambert" or the "Company"). The Company has exceeded its previous targets and taken large steps in quickly developing and expanding its asset base.

In late 2009 we changed the Company's name from Cape Lambert Iron Ore to Cape Lambert Resources to reflect our multi commodity focus and our intention to build a diverse portfolio of mineral assets and investments.

As worldwide demand for resources grows and prices rise, particularly for iron ore, our strategy is simple - to secure prime exposure to iron ore, gold, base metals and phosphate assets. This has necessitated a geographically diverse portfolio of assets in Australia, Greece, Africa and South America.

We add value through a hands on approach to management, exploration and evaluation that enables us to deliver a return to our Shareholders when we divest of these assets.

I was pleased to have delivered a fully franked dividend of A$0.07 per share to our Shareholders following the successful sale of the Lady Annie Project for $130 million, with another $5 million receivable once certain production and reserve related milestones are achieved.

As part of our expansion strategy, the major acquisitions and transactions we have effectively completed this year include:

- Scrip takeover bid for Corvette Resources Limited ("Corvette"), which subsequently merged with Tianshan Goldfields Limited in February 2010. Cape Lambert holds 32.3% in the merged entity, which retained the name Corvette Resources Limited (ASX: CVX). Corvette is a gold exploration company with an approximate 2,300 km^2 strategic landholding known as the Plumridge Project, located 60 km south of the 5 million oz Tropicana-Havana gold deposit in Western Australia;
- Acquiring 100% ownership of the Marampa Iron Ore Project in Sierra Leone, West Africa;
- We converted our $2 million note and exercised our options in DMC Mining Limited ("DMC") early in the financial year. Following a successful takeover bid launched in March 2010, we acquired control over DMC by 30 June 2010 and completed our compulsory acquisition process on 20 August 2010. This acquisition now gives us a significant foothold in the Republic of Congo with an 80% interest in Mayoko Iron Ore Project;
- Gaining an initial stake of 39.25% in NiPlats Australia Limited (reduced post 30 June 2010 to 8.27% following dilution from capital raisings and sale of shares on market) which is focused on vanadium, platinum and fluorite in the East Kimberley region of Western Australia;
- Converting a $28 million note into equity in Pinnacle Group Assets Limited ("Pinnacle") and subsequently acquiring an additional 15 million existing ordinary shares to increase our interest in Pinnacle to 37.2%. Our interest in Pinnacle exposes Cape Lambert Shareholders to additional iron ore, and new coal projects in West Africa;
- Converting our $2.3 million note in Cauldron Energy Limited ("Cauldron") into an 18.6% interest in Cauldron;
- Exercising 10 million, 10 cent options in Latin Resources Limited ("Latin") to give us a 15% interest in Latin, which is an iron ore exploration company focused in Peru. Post 30 June 2010, a further 10 million Latin 10 cent options were exercised and Latin repaid a $2.2 million convertible note. On admission of Latin to trading on ASX in September 2010, Cape Lambert held a 17% interest in Latin;
- Completing the scrip acquisition of Mojo Minerals Limited ("Mojo"). Mojo holds 15 contiguous exploration tenements covering approximately 5,000km^2 in the southern portion of the Mt Isa block in Queensland; and
- A total of $5.9 million in convertible notes was advanced to junior explorers Cauldron Energy Limited ($1.5 million), Victory West Moly Limited ($2 million) and Africa Uranium Limited ($2.4 million).

During the year, we sold the following non-core assets:

- Shareholdings in Herencia Resources plc, Charaat Gold Holdings Ltd, and Platmin Limited which realised $28 million; and
- Shareholdings in Tianshan Goldfields Limited (now Corvette Resources Limited) and Buka Gold Limited (now Fe Limited) realising approximately $2.4 million.

Since 30 June 2010, we have continued to focus on our expansion program and have secured the following deals for our Shareholders:

- On 16 July 2010, we announced that Cape Lambert had signed a binding term sheet with African Minerals Limited formalising ownership and access rights to the Marampa rail and Pepel Port in Sierra Leone. Cape Lambert will have an initial minimum transport capacity of 2Mtpa and will earn a 33% equity interest by contributing US$45million towards the rail and port refurbishment costs.

- In early August 2010, Cape Lambert successfully completed the acquisition of the Leichhardt Copper Project located in world class Mt Isa base metals province of north west Queensland. Payment on completion amounted to $6.8 million which was in addition to a deposit of $1 million paid prior to 30 June 2010. The Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility has an installed production capacity of 9,000 tpa of copper cathode; and
- In early August 2010, Cape Lambert formed a strategic alliance with Chameleon Mining NL. This alliance exposes Cape Lambert Shareholders to a potential positive outcome from a pending Federal Court decision in relation to Murchison Metals Ltd in respect of the ownership of the producing Jack Hills iron ore asset.

The outlook for the next financial year is strong and we are looking forward to building on the successes achieved in 2010 in line with our long term growth strategy.

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

Yours faithfully,

Tony Sage
Executive Chairman

DIRECTORS' REPORT

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 2010.

DIRECTORS

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

The names and particulars of the directors of Cape Lambert during or since the end of the financial year are:
Antony Sage
Timothy Turner
Brian Maher
Ross Levin (Appointed 1 April 2010)

Antony William Paul Sage	Executive Chairman
Qualifications	B.Com, FCPA, CA, FTIA
Experience	Mr Sage has in excess of 22 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 14 years. Mr Sage was a founding Director of International Goldfields Limited and its merger partner Hamill Resources Limited (the merged entity now being Cape Lambert Resources Limited). Mr Sage is also a Director of the following listed entities: International Petroleum Limited, African Petroleum Corporation Limited, Corvette Resources Limited, Cauldron Energy Limited, and Fe 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.

Timothy Paul Turner	Non-Executive Director
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor
Experience	As senior partner with Accounting firm, Hewitt Turner & Gelevitis, Mr Turner specialises in domestic business structuring, corporate and trust tax planning and corporate secretarial. He also has in excess of 20 years experience in new ventures, capital raisings and general business consultancy. Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, a Fellow of CPA Australia, a Fellow of the Taxation Institute of Australia. Mr Turner is also a Director of the following listed entities: International Petroleum Limited, African Petroleum Corporation Limited and Legacy Iron Ore Limited.

Ross Levin	Non-Executive Director (Appointed 1 April 2010)
Qualifications	Bachelor of Economics, Bachelor of Law, Graduate Diploma Labour Relations Law (Melbourne), Trustee for CEDA (Committee for Economic Development of Australia)
Experience	Mr Levin holds degrees in both Law and Economics and has extensive experience with business sales and acquisitions, corporate restructuring and takeovers and is currently a senior partner in the commercial division of Rigby Cooke Lawyers, where he specialises in workplace relations in the mining, infrastructure and construction industries. Mr Levin has Bachelor of Economics, a Bachelor of Law, a Graduate Diploma Labour Relations Law (Melbourne) and is a Trustee for CEDA (Committee for Economic Development of Australia) Mr Levin is not a director of any other ASX listed companies.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

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

Antony Sage	International Petroleum Limited	January 2006 to present
	African Petroleum Corporation Limited	October 2007 to present
	Corvette Resources Limited	February 2009 to present
	Cauldron Energy Limited	June 2009 to present
	Fe Limited	August 2009 to present
Brian Maher	-	-
Timothy Turner	International Petroleum Limited	January 2006 to present
	African Petroleum Corporation Limited	November 2007 to present
	Legacy Iron Ore Limited	July 2008 to present
Ross Levin	-	-

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 was another productive year for the Company with a number of transactions completed to build on and enhance its multi commodity and geographically diverse portfolio of mineral assets and investments.

The main achievements during the year were the 100% acquisition of the Marampa Iron Ore Project for an all scrip consideration, successful sale of the Lady Annie project for A$130 million, with a further $5 million to be received should certain production and reserve related milestones be achieved, the successful takeover of DMC Mining Limited ("DMC"), and the disposal of non-core shareholdings in Platmin Limited, Herencia Resources plc and Charaat Gold Holdings Ltd to realise approximately A$28 million.

Following the successful sale of the Lady Annie project, the Company announced it would pay a fully franked dividend of A$0.07 per share to its shareholders. The dividend payment was effected on 16 July 2010.

During the year, the Company completed the following significant transactions;

- The acquisition of 100% of the Marampa iron ore project located in Sierra Leone, West Africa for an all scrip consideration,
- Scrip takeover bid for Corvette Resources Limited ("Corvette") resulting in the Company ultimately controlling 46.5% of Corvette's issued capital. Corvette and Tianshan Goldfields Limited subsequently merged by way of a scheme of arrangement, with the merger completing in February 2010 and the merged entity taking the name Corvette Resources Limited (ASX: CVX). Cape Lambert currently holds 32.3% in the merged entity. Corvette is a gold exploration company with an approximate 2,300 km^2 strategic landholding known as the Plumridge Project, located 60 km south of the 5 million oz Tropicana-Havana gold deposit in Western Australia,
- Converted a A$28 million note into equity in Pinnacle Group Assets Limited ("Pinnacle") and subsequently acquired an additional 15 million existing ordinary shares to increase Cape Lambert's interest in Pinnacle to 37.2%. This investment exposes Cape Lambert to iron ore assets and new coal assets in West Africa,
- Converted a $2 million note in African iron ore explorer, DMC, which, together with the exercise of 5 million DMC options, enabled the Company to acquire a 36% interest in DMC. Cape Lambert announced a takeover bid for DMC in March 2010 which was successfully completed on 20 August 2010, with Cape Lambert acquiring 100% of DMC. As at 30 June 2010, Cape Lambert had obtained control over DMC with a 79% interest. During the year, DMC has carried out drill testing at its Mayoko iron ore project, which has a published 1-1.3 billion tonne target size,
- Subscribed for approximately $5.9 million in convertible notes,
- Entered into a conditional sale agreement to acquire the assets comprising the 9,000 tonne per annum Leichhardt Copper Project, located within the Mt Isa Inlier northwest Queensland, for $8.5 million which completed in August 2010,
- Converted a $2.3 million note in Cauldron Energy Limited ("Cauldron") which contributed to Cape Lambert obtaining an 18.6% interest in Cauldron,
- Exercised 10 million, 10 cent options in Latin Resources Pty Ltd ("Latin") to give Cape Lambert a 15%, interest in Latin, a mineral exploration company focused on iron ore in Peru. Latin lodged an Initial Public Offering Prospectus with ASIC on 8 July 2010 and successfully listed on ASX in September 2010,
- Completed the scrip acquisition of Mojo Minerals Limited ("Mojo"). Mojo holds 15 contiguous exploration tenements covering approximately 5,000km^2 in the southern portion of the Mt Isa block in Queensland,
- Gained control of a 39.25% stake in NiPlats Australia Limited, which has a focus on vanadium, platinum and fluorite in the East Kimberley region of Western Australia,
- Disposed of shareholdings in Tianshan Goldfields Limited (now Corvette Resources Limited) and Buka Gold Limited (now Fe Limited) to realise approximately $2.4 million, and
- Disposed of non-core shareholdings in Platmin Limited, Herencia Resources plc and Charaat Gold Holdings Ltd realising approximately $28 million.

REVIEW OF RESULTS AND OPERATIONS (CONTINUED)

During the year, the Board and Management has also put a strong focus on Company promotion enhancing its exposure to Australian and International institutions and funds, with approximately 20% of the share register now held by these groups. Analyst coverage has also increased significantly, with a number of major broking houses in Australia and the United Kingdom initiating coverage.

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

Results

The Cape Lambert Group made a profit after income tax for the year ended 30 June 2010 of $72,248,076 (2009: profit of $229,009,330), primarily due to recognising of profit on sale of the Lady Annie Project of $85,222,069.

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 30 June 2010:

- In July 2010, the Company paid the $44 million fully franked dividend it had declared in June 2010;
- In July 2010, the Company announced that it had signed a binding term sheet with African Minerals Limited formalising ownership and access rights to the Marampa rail and Pepel Port in Sierra Leone. Cape Lambert will have an initial minimum transport capacity of 2Mtpa and will earn a 33% equity interest by contributing US$45million towards the rail and port refurbishment costs.
- In early August 2010, Cape Lambert successfully completed the acquisition of the Leichhardt Copper Project located in world class Mt Isa base metals province of north west Queensland. Payment on completion amounted to $6.8 million which was in addition to a deposit of $1 million paid prior to 30 June 2010. The Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility has an installed production capacity of 9,000 tpa of copper cathode; and
- In early August 2010, Cape Lambert formed a strategic alliance with Chameleon Mining NL ("Chameleon"). Cape Lambert has advanced $6.5 million to Chameleon in the form of a credit facility and has also participated to the extent of $2 million in a placement conducted by Chameleon. The alliance with Chameleon exposes Cape Lambert Shareholders to a potential positive outcome from a pending Federal Court decision in relation to Murchison Metals Ltd in respect of the ownership of the producing Jack Hills iron ore asset.
- On 9 July 2010, Cape Lambert's takeover bid for DMC Mining Limited ("DMC") closed with Cape Lambert having obtained a 92.96% interest in DMC. On 12 July 2010, Cape Lambert announced that it had commenced the process to compulsorily acquire the remaining DMC shares and this process was completed on 20 August 2010.
- In September 2010, 10 million 10 cent options in Latin Resources Limited ("Latin") were exercised and Latin repaid a $2.2 million convertible note. Latin was admitted to trading on ASX in September 2010, at which point Cape Lambert held a 17% interest in Latin.
- In September 2010, a parcel of 23,100,000 shares in NiPlats Australia Limited ("NiPlats") were sold realising $9,581,529.
- In September 2010, Cape Lambert commenced legal action against MCC Australia Sanjin Mining Pty Ltd and its parent company Metallurgical Corporation of China Limited to recover the final payment of $80 million due in relation to the sale of the Cape Lambert North tenements.

Other than the above, no event has arisen since 30 June 2010 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 that referred to in the Review of Operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

DIVIDEND AND RETURN OF CAPITAL

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

ENVIRONMENTAL REGULATIONS

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

SHARE OPTIONS

Share Options Granted to Directors and Executives

During and since the end of the financial year, no share options (2009: 6,350,000) were granted to directors and executives of the Company.

Share Options on Issue at Year End

As at 30 June 2010, there were no share options on issue (2009: 36,350,000).

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

Number of Shares Issued	Class of Shares	Amount Paid for Shares	Amount Unpaid on Shares
28,000,000	ORD	8,652,000	-

INDEMNIFICATION OF OFFICERS

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

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

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

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

COMPANY SECRETARY

Ms Eloise von Puttkammer has many years of experience in the finance and investment industry. Over the past 10 years she has held administration, compliance and company secretarial roles within both private and public companies. Ms von Puttkammer has experience in the provision of governance and secretarial advice to ASX and AIM listed companies.

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 6 board meetings were held.

	Board of Directors	
Directors	Eligible to Attend	Attended
Antony Sage	6	6
Brian Maher	6	6
Timothy Turner	6	6
Ross Levin	1	1

The audit committee met once during the year and the meeting was attended by both members of the audit committee, being Timothy Turner and Brian Maher.

DIRECTORS' SHAREHOLDINGS

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

Directors	Ordinary Shares
Antony Sage	34,590,430
Brian Maher	1,365,000
Timothy Turner	1,400,000
Ross Levin	-
	37,355,430

REMUNERATION REPORT

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

Remuneration Policy for Directors and Executives

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

Details of Directors and Executives

Directors
Antony Sage – Executive Chairman
Timothy Turner – Non-Executive Director
Brian Maher – Non-Executive Director
Ross Levin - Non-Executive Director (Appointed 1 April 2010)

Principles used to determine the nature and amount of remuneration

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

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

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

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

Options and performance incentives may also be issued as the 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. At present, there are no performance based options or incentives on issue.

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

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

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

The remuneration policy aims to increase goal congruence between shareholders and directors via the issue of options to the majority of directors to encourage the alignment of personal and shareholder interests. During the financial period, the Company's share price traded between a low of $0.31 and a high of $0.63. The price volatility is a concern to the Board but is not considered abnormal for a junior explorer such as Cape Lambert. In order to keep all investors fully informed and minimise market fluctuations, the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company and to stabilise the Company's share price in line with a consistent and stable financial position and base value of assets.

Director and Executive Details

The directors and executives of the Company during the year were:

- Antony Sage
- Brian Maher
- Timothy Turner
- Ross Levin

RENUMERATION REPORT (CONTINUED)

Details of Remuneration

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

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

	Primary					% of Total Remuneration		
2010	Cash Salary & Fees $	Cash Bonus[5] $	Post employment benefits $	Share Based Payments[3] $	Total $	Fixed %	At Risk Short Term Incentive %	At Risk Long Term Incentive %
Directors								
A Sage	531,250	1,350,000	-	913,392	2,794,642	19%	81%	-
B Maher	35,250	-	-	175,000	210,250	17%	83%	-
T Turner	60,000	-	-	200,000	260,000	23%	77%	-
R Levin[2]	12,000	-	-	-	12,000	100%	-	-
Other Key Management Personnel								
J Hamilton	307,800	-	39,607	147,500	494,407	70%	30%	-
K Bischoff	198,000	-	31,316	137,500	366,816	63%	37%	-
GV Ariti	392,333	-	-	375,000	767,333	51%	49%	-
F Taylor	102,590	-	10,090	125,000	237,680	47%	53%	-
E von Puttkammer	68,250	-	18,735	100,000	186,985	47%	53%	-
	1,707,473	1,350,000	99,748	2,173,392	5,330,613	34%	66%	-

Notes:

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

2009	Primary Cash Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Share Based Payment Equity Options $	Total $	% of Total Remuneration Fixed %	At Risk Short Term Incentive %	At Risk Long Term Incentive %
Directors								
I Burston	22,950	-	-	-	22,950	100%	0%	0%
A Sage	437,500	600,000	-	-	1,037,500	42%	58%	0%
B Maher	39,450	200,000	-	-	239,450	16%	84%	0%
T Turner	60,000	400,000	-	-	460,000	13%	87%	0%
P Landau	60,000	400,000	-	-	460,000	13%	87%	0%
Other Key Management Personnel								
J Hamilton	181,300	-	-	378,600	559,900	32%	68%	0%
K Bischoff	154,500	-	-	378,600	533,100	29%	71%	0%
GV Ariti	279,300	-	-	757,200	1,036,500	27%	73%	0%
F Taylor	7,278	-	-	-	7,278	100%	0%	0%
E von Puttkammer	13,154	-	-	-	13,154	100%	0%	0%
	1,255,432	1,600,000	-	1,514,400	4,369,832	63%	37%	0%

Notes:

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

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

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

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

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

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

RENUMERATION REPORT (CONTINUED)

There are no performance conditions attached to the options and they were issued for nil consideration.

No options were issued to directors or other key management personnel during the year. All of the options that were issued to other key management personnel in the previous year lapsed during the current year as disclosed in the table below:

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

Service Agreements

Executive Directors

The employment conditions of the Executive Chairman, Antony Sage were approved by the Board on 28 August 2009 with a fee of $550,000 (2009: $437,500) per annum plus GST.

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

Non-Executive Directors

The engagement conditions of non-executive director Brian Maher were approved by the Board on commencement of engagement. A subsequent review was undertaken and a fee of $750 per day plus GST was approved by the Board on 27 June 2008 (2009: $750).

The engagement conditions of non-executive director Timothy Turner were approved by the Board on 30 November 2007. A subsequent review was undertaken and a fee of $60,000 per annum plus GST was approved by the Board on 27 June 2008 (2009: $60,000).

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

Other Key Management Personnel

The engagement conditions of contractor Jeff Hamilton were approved by the Board on commencement of his engagement in April 2006. A subsequent review was undertaken and a fee of $1,200 per day plus GST was approved (2009: $1,200).

The engagement conditions of contractor Kim Bischoff were approved by the Board on commencement of his engagement in February 2008 with a fee of $1,200 per day plus GST (2009: $1,200).

The engagement conditions of contractor Joe Ariti were approved by the Board on commencement of his engagement in August 2006 with a fee of $1,500 (2009: $1,500) per day plus GST.

The engagement conditions of contractor Fiona Taylor were set out in a service agreement upon appointment in April 2009 with a fee of $43,333 per annum plus GST. A subsequent review was undertaken and a fee of $120,000 per annum plus GST was approved.

The engagement conditions of contractor Eloise von Puttkammer were set out in a service agreement upon appointment in April 2009 with a fee of $52,620 per annum plus GST. A subsequent review was undertaken and a fee of $72,000 per annum plus GST was approved.

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.

Subsequent to 30 June 2010, Cape Lambert commenced legal action against MCC Australia Sanjin Mining Pty Ltd and its parent company Metallurgical Corporation of China Limited to recover the final payment of $80 million due in relation to the sale of the Cape Lambert North tenements.

Non Audit Services

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 16 for the year ended 30 June 2010.

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

Antony Sage
Director

Dated this 30th day of September 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999
www.pwc.com/au

Auditor's Independence Declaration

As lead auditor for the audit of Cape Lambert Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

NHenry.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
30 September 2010

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 2010 $	2009 $
Continuing Operations			
Revenue	3(a)	**11,946,092**	19,740,294
Other income	3(b)	**110,328,298**	236,812,168
Production costs		**(9,298,608)**	-
Share based payments		**(3,498,392)**	(1,634,290)
Employee benefits expenses		**(3,678,419)**	(2,306,791)
Consulting expenses		**(18,088,983)**	(5,967,145)
Occupancy expenses		**(1,041,949)**	(337,743)
Compliance and regulatory expenses		**(723,086)**	(247,023)
Travel and accommodation		**(954,901)**	(312,963)
Share registry maintenance		**(118,412)**	(156,503)
Depreciation and amortisation expense	3(c)	**(386,318)**	(68,185)
Finance costs	3(d)	**(1,148,482)**	(407,522)
Other expenses	3(c)	**(6,744,728)**	(628,349)
Impairment of investment in associate	3(c)	**-**	(854,331)
Discount on acquisition of business combination	24	**-**	55,385,237
Share of net losses of associates accounted for using the equity method		**(3,400,210)**	-
Profit before income tax		**73,191,902**	299,016,854
Income tax benefit / (expense)	4	**(943,826)**	(70,007,524)
Net profit for the year		**72,248,076**	229,009,330
Other comprehensive income net of tax			
Foreign exchange differences arsing on translation of foreign operations		**(1,046,464)**	-
Share of reserves of associate accounted for using the equity method		**(244,996)**	-
Total comprehensive income for the year		**70,956,616**	229,009,330
Profit for the year attributable to:			
Members of Cape Lambert Resources Limited		**72,248,076**	229,009,330
Non controlling interests		**-**	-
		72,248,076	229,009,330
Total comprehensive income for the year attributable to:			
Members of Cape Lambert Resources Limited		**70,956,616**	229,009,330
Non controlling interests		**-**	-
		70,956,616	229,009,330
Basic earnings/(loss) per share (cents per share)	20	**12.66**	47.27
Diluted earnings/(loss) per share (cents per share)	20	**12.20**	45.57

The accompanying notes form part of this financial report.

STATEMENT OF FINANCIAL POSITION

		As at	
	Note	30 June 2010 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents	29(a)	**135,709,067**	74,058,703
Restricted cash	10	**25,257**	4,057,334
Trade and other receivables	8	**14,091,619**	51,506,564
Inventories		**-**	4,421,135
TOTAL CURRENT ASSETS		**149,825,943**	134,043,736
NON-CURRENT ASSETS			
Trade and other receivables	8	**5,294,805**	5,748,502
Other financial assets	9	**26,634,643**	36,528,153
Entities accounted for using the equity method	13	**66,785,069**	38,384,711
Restricted cash	10	**1,466,716**	10,812,629
Plant and equipment	11	**1,209,050**	8,919,387
Exploration and evaluation and expenditure	12	**200,148,822**	154,679,278
TOTAL NON-CURRENT ASSETS		**301,539,105**	255,072,660
TOTAL ASSETS		**451,365,048**	389,116,396
CURRENT LIABILITIES			
Trade and other payables	14	**32,894,299**	23,298,792
Borrowings	16	**-**	15,870,860
Provisions	15	**43,803,183**	-
Current tax liabilities	4	**1,611,932**	24,434,549
Deferred income		**96,678**	36,822
TOTAL CURRENT LIABILITIES		**78,406,092**	63,641,023
NON-CURRENT LIABILITIES			
Provisions	15	**-**	11,922,606
Borrowings	16	**-**	2,991,074
Deferred tax liability	4	**19,586,090**	41,671,096
TOTAL NON-CURRENT LIABILITIES		**19,586,090**	56,584,776
TOTAL LIABILITIES		**97,992,182**	120,225,799
NET ASSETS		**353,372,866**	268,890,597
EQUITY			
Issued capital	17	**177,603,225**	126,016,077
Reserves	18	**(1,291,460)**	4,386,526
Retained earnings	19	**166,932,887**	138,487,994
Parent interests		**343,244,652**	268,890,597
Non-controlling interests		**10,128,214**	-
TOTAL EQUITY		**353,372,866**	268,890,597

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY

2010	Note	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Non-controlling interests	Total
		$	$	$	$	$	$
Balance at 1 July 2009		126,016,077	138,487,994	4,386,526	-	-	268,890,597
Profit for the year		-	72,248,076	-	-	-	72,248,076
Other comprehensive income							
Foreign exchange differences arising on translation of foreign operation		-	-	-	(1,046,464)	-	(1,046,464)
Share of associate's reserves		-	-	167,308	(412,304)	-	(244,996)
Total comprehensive income for the year		-	72,248,076	167,308	(1,458,768)	-	70,956,616
Transactions with owners in their capacity as owners							
Non controlling interests on acquisition of controlled entity		-	-	-	-	10,128,214	10,128,214
Share based payments – shares issued as purchase consideration	5, 17	35,100,246	-	-	-	-	35,100,246
Share-based payments – shares issued to directors, employees and consultants	17	3,498,392	-	-	-	-	3,498,392
Issue of shares upon exercise of options	17	8,652,000	-	-	-	-	8,652,000
Value at inception of options exercised during the year	17,18	2,212,000	-	(2,212,000)	-	-	-
Value at inception of options lasped during the year	17,18	2,174,526	-	(2,174,526)	-	-	-
Tax effect of capital raising costs	17	(50,016)	-	-	-	-	50,016
Dividend provided for	15,19,30	-	(43,803,183)	-	-	-	-
Transactions with equity holders in their capacity as equity holders		51,587,148	(43,803,183)	(4,386,526)	-	-	13,525,653
Balance at 30 June 2010		**177,603,225**	**166,932,887**	**167,308**	**(1,458,768)**	**10,128,214**	**353,372,866**

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

2009	Note	Issued Capital	Retained Profits / (Accumulated Losses)	Share Based Payment Reserve	Total
		$	$	$	$
Balance at 1 July 2008		82,008,254	(21,551,046)	15,458,304	75,915,512
Profit for the year		-	229,009,330	-	229,009,330
Total comprehensive income for the year		-	229,009,330	-	229,009,330
Share based payments – shares issued as purchase consideration	17	20,770,000	-	-	20,770,000
Value of options issued to consultants	18	-	-	2,107,540	2,107,540
Shares issued on conversion of options	17,18	54,553,360	-	(13,179,318)	41,374,042
Dividends paid	19,30	-	(68,970,290)	-	(68,970,290)
Capital reduction	17	(31,365,644)	-	-	(31,365,644)
Tax effect of capital raising costs	17	50,107	-	-	50,107
Transactions with equity holders in their capacity as equity holders		44,007,823	(68,970,290)	(11,071,778)	(36,034,245)
Balance at 30 June 2009		**126,016,077**	**138,487,994**	**4,386,526**	**268,890,597**

The accompanying notes form part of this financial report.

STATEMENT OF CASH FLOWS

		For the year ended	
		2010	2009
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**6,512,922**	-
Payments to suppliers and employees (inclusive of GST)		**(31,510,686)**	(5,300,335)
Interest and bill discounts received		**3,542,637**	11,404,391
Interest and other finance costs paid		**(1,148,482)**	(288,867)
Receipts – other		**332,080**	1,817,669
Income tax paid		**(24,159,186)**	-
Net cash used in operating activities	29(b)	**(46,430,715)**	7,632,858
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interests in associated entities		**(16,529,198)**	(6,921,260)
Proceeds on disposal of interest in associated entity		**587,841**	-
Payments for exploration and evaluation		**(8,480,163)**	(1,901,633)
Purchase of property, plant and equipment		**(1,173,043)**	(95,915)
Payment of stamp duty in relation to asset acquisitions		**(9,121,242)**	-
Cash balances acquired on acquisition of controlled entities		**3,000,188**	2,026,211
Cash balances disposed of on disposal of controlled entity		**(754,372)**	-
Release of restricted cash balances in relation to environmental bonds		**7,740,979**	-
Release of restricted cash on return of bank guarantees provided to Receiver and Manager of CopperCo Limited (In Liquidation)		**2,000,000**	-
Release of restricted cash on retirement of Receiver and Manager of CopperCo Limited (In Liquidation)		**1,242,000**	-
Proceeds on disposal of restricted securities by Receiver and Manager CopperCo Limited (In Liquidation)		**2,423,606**	-
Payment on subscription to convertible loan notes		**(5,900,000)**	(38,080,501)
Purchase of equity investments		**(9,341,737)**	(9,774,083)
Proceeds from sale of equity investments		**27,577,655**	2,872,923
Payments on acquisition of controlled entities		**(3,301,646)**	-
Proceeds from sale of controlled entity		**129,500,000**	-
Repayment of loan on disposal of controlled entity		**2,766,332**	-
Proceeds from sale of tenements		**-**	315,000,000
Payment of commission on disposal of tenements		**-**	(34,961,649)
Payment of deposit for Leichhardt tenements		**(1,000,000)**	-
Payment of acquisition related costs		**-**	(1,257,463)
Purchase of debt in relation to business combination		**-**	(71,015,229)
Provision of working capital facility in relation to business combination		**-**	(18,000,000)
Provision of other funding in relation to business combination		**-**	(1,648,191)
Payment for security bonds		**-**	(11,378,756)
Repayment of deferred consideration in relation to business combination		**(10,000,000)**	-
Payment received in relation to loan provided to CopperCo Limited (In Liquidation) (Receivers and Managers appointed)		**3,125,000**	-
Net cash (used in)/provided by investing activities		**114,362,200**	94,464,454

STATEMENT OF CASH FLOWS (CONTINUED)

		For the year ended	
		2010	2009
		$	$
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**793,500**	14,786,009
Repayment of borrowings		**(15,726,621)**	-
Capital return paid to Shareholders		**-**	(31,365,644)
Dividend paid to Shareholders		**-**	(68,970,290)
Proceeds from issues of equity securities		**8,652,000**	41,374,131
Net cash (used in)/provided by financing activities		**(6,281,121)**	(44,175,794)
Net increase in cash and cash equivalents		**61,650,364**	57,921,518
Cash and cash equivalents at beginning of period		**74,058,703**	16,137,185
Cash and cash equivalents at end of period	29(a)	**135,709,067**	74,058,703

The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF ANNUAL REPORT

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

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

The financial report is presented in Australian dollars.

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

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

The Consolidated Entity has applied the revised AASB 101 "Presentation of Financial Statements" which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Consolidated Entity had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also conforms with the revised standard.

2. SUMMARY OF ACCOUNTING POLICIES

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

a) New Accounting Standards and Interpretations

Changes in accounting policy and other disclosures

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

Reference	Title	Application date of standard	Application date for the Consolidated Entity
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009

Reference	Title	Application date of standard	Application date for the Consolidated Entity
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	1 July 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	1 July 2009	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	

a) New Accounting Standards and Interpretations (continued)

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 2010 are set out below. Unless otherwise stated, it is expected that there will be no impact on the Consolidated Entity on applying the new standards and interpretations once they are effective.

AASB 2009-5 [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 1 January 2010)

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Consolidated Entity except for the following:

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

AASB 2009-8 [AASB 2] - Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (application date: reporting periods ending on/after 1 January 2010)

This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

AASB 2009-9 - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards (application date: reporting periods ending on/after 1 January 2010)*

The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.

AASB 2009-11 - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - Amendments to Australian Accounting Standards arising from AASB 9(application date: reporting periods ending on/after 1 January 2013)

The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value
- removal of the requirement to separate embedded derivatives in financial assets
- strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income

This standard will impact upon the way in which the Consolidated Entity accounts for any convertible loan notes it subscribes to and will required the unlisted available for sale financial assets to be measured at fair value.

AASB 2009-12 - [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] - Amendments to Australian Accounting Standards (application date: reporting periods ending on/after 1 January 2011)

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).

Accounting Standards and interpretations issued but not yet effective (continued)

AASB 2009-13 - [AASB 1] - Amendments to Australian Accounting Standards arising from Interpretation 19 (application date: reporting periods ending on/after 1 January 2010)

This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.

(b) Borrowings

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

(c) 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.

(d) Employee Benefits

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

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

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

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

Refer also to Note 2(p) for accounting policy regarding share based payments.

(e) 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:

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.

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

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

Impairment
The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. 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.

(f) 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.

(f) Financial Instruments Issued by the Consolidated Entity (continued)

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.

(g) Foreign Currency

Foreign currency transactions

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 statement of comprehensive income 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:

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

(h) Goods and Services Tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST.

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

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

(i) Impairment of assets

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

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

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

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

(j) 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.

Current and deferred tax for the period

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

(k) Payables

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

(l) 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 25) 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.

Subsidiaries are fully consolidated from the date on which Cape Lambert obtains control until such time as Cape Lambert ceases to control such entities.

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 discount on acquisition.

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

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

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

(l) Basis of Consolidation (continued)

If Cape Lambert loses control over a subsidiary, it:

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

The Consolidated Entity has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures.*

Previously, transactions with non-controlling interests were treated as transactions with parties external to the Consolidated Entity. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously when the Consolidated Entity ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Consolidated Entity has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(m) Property, Plant and Equipment

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

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

Plant and equipment	2.5 - 5.5 years
Leasehold improvements	over the period of the lease

(n) Provisions

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

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

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

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

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

(o) Revenue recognition

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

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

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

(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, exercise restrictions, and behavioural considerations.

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

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

(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 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) Operating segments

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".

The Consolidated Entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not impacted on the number of reportable segments presented. There has been no impact on the measurement of the Consolidated Entity's assets and liabilities. Comparatives for 2009 have been restated.

(s) Earnings per Share

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

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

(t) Associates

Associates are 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 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.

(u) Non-Current Assets Held for Sale

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

(v) Leases

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

(w) Business Combinations

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

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

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

Any contingent consideration to be transferred by the acquiree will be 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.

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes:

- All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Consolidated Entity's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

- Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill or discount on acquisition.

- Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous policy, the non-controlling interest was recognised at its share of the acquiree's net identifiable assets.

- If the Consolidated Entity recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Consolidated Entity's net profit after tax.

The changes were implemented prospectively from 1 July 2009

(x) Parent entity financial information

The financial information for the parent entity, Cape Lambert Resources Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below:

i) Investments in subsidiaries, associates and joint venture entities

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

ii) Tax consolidation legislation

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

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

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

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

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

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

(y) Comparative Figures

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

(z) Dividends

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

(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 comprehensive income.

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.

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

Income taxes (continued)

In addition, 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 and the same subsidiary 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.

Business Combination

During the current financial year, Cape Lambert acquired a controlling interest in DMC Mining Limited following a successful takeover bid. Management have made a number of assumptions in determining the fair values of the assets acquired and the liabilities assumed pursuant to this business combination.

Contingent assets and liabilities

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

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

During the current year, the Company disposed of 100% of its interest in Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, to China Sci-Tech Holdings Limited, a Hong Kong listed Company, for $135 million. The purchase consideration includes two deferred payments of $2.5 million each, which are payable once certain production and reserve related milestones are achieved.

Given that it is not certain that the production and reserve related milestones will be achieved, the Company has not recognized the two deferred payments as a receivable.

Impairment

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined.
As at 30 June 2010, management determined that none of the Consolidated Entity's assets were impaired and consequently no impairment losses were recognized.

3. PROFIT/(LOSS) FROM OPERATIONS

	Note	Consolidated 2010 $	Consolidated 2009 $
(a) Revenue			
Sale of goods		**6,512,922**	-
Interest received		**5,091,090**	17,850,327
Rental revenue		**28,671**	-
Other revenue		**313,409**	1,889,967
		11,946,092	19,740,294
(b) Other income			
Gain on disposal of equity securities		**6,434,307**	1,329,109
Gain on disposal of associate		**2,042,814**	-
Gain acquisition of controlled entity which was previously an equity accounted associate		**11,283,009**	-
Gain on disposal of tenements		**-**	232,667,721
Gain on disposal of controlled entity	23	**85,222,069**	-
Gain on fair value of financial assets through profit or loss		**-**	252,055
Discount received on acquisition of debt		**-**	2,563,283
Gain on conversion of convertible notes		**2,245,573**	-
Gain on recognition of call option		**2,474,330**	-
Other income		**626,195**	-
		110,328,298	236,812,168
(c) Expenses			
Profit before income tax includes the following:			
Depreciation of plant and equipment	11	**339,631**	62,503
Amortisation of leasehold improvements	11	**46,687**	5,682
Depreciation and amortisation expense		**386,318**	68,185
Impairment of investment in associate	13(b)	**-**	854,331
Loss on fair value of financial assets through profit or loss		**1,796,144**	-
Foreign currency exchange losses		**68,982**	-
Rental expense relating to operating leases			
- minimum lease payments		**808,225**	236,028
(d) Finance costs			
Interest and finance charges paid or payable		**1,148,482**	407,522

4. INCOME TAXES

	2010 $	2009 $
Major components of income tax expense for the year are:		
Income statement		
Current income		
Current income tax charge / (benefit)	**698,831**	24,430,708
Deferred income tax		
Relating to origination and reversal of temporary differences	**244,995**	46,771,968
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	**-**	(1,195,152)
Income tax expense / (benefit) reported in income statement	**943,826**	70,007,524
Statement of changes in equity		
Deferred income tax		
Capital raising costs	**50,107**	(50,107)
Income tax expense reported in equity	**50,107**	(50,107)

Reconciliation

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

	Consolidated 2010 $	Consolidated 2009 $
Accounting profit / (loss) before income tax	**73,191,902**	299,016,854
At the statutory income tax rate of 30% (2009: 30%)	**21,957,571**	89,705,057
Add:		
Non-deductible expenses	**78,921**	11,561
Non-assessable discount on acquisition	**-**	(16,615,571)
Share based payments	**1,049,518**	490,287
Deferred tax assets and tax losses not recognised	**390,747**	120,737
Adjustment of prior year estimates	**(1,120,094)**	(2,509,395)
Net capital gain on disposal of controlled entity	**16,445,927**	-
Net capital loss on disposal of financial assets	**(33,948,381)**	-
Profit on disposal of associate	**396,092**	-
Share of losses of associates	**1,020,063**	-
Gain on recognising fair value of associate before it became a controlled entity	**(3,384,903)**	-
Recognition of tax payable in foreign jurisdictions	**317,355**	-
Step up of asset cost bases on entry into tax consolidated group	**(2,258,990)**	-
Recognition of prior year tax losses not previously recognised	**-**	(1,195,152)
At effective income tax rate of 1.29% (2009: 23%)	**943,826**	70,007,524
Income tax expense / (benefit) reported in income statement	**943,826**	70,007,524

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 (2009: Nil) as of the balance date. The Company has received a payment from the controlled entities of $38,026,858 (2009: $46,858,676) as of the balance date in respect of the current year tax liability for the tax consolidated group. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

Recognised deferred tax assets and liabilities

The deferred tax liability balance comprises temporary differences attributable to:

	Consolidated	
	2010 $	2009 $
Accrued income	**(432,946)**	(800,910)
Capitalised expenditure	**(20,444,281)**	(45,547,238)
Financial assets	**(1,978,964)**	(728,682)
Deferred tax liabilities recognised in foreign jurisdictions	**(615,353)**	-
Unrealised foreign exchange gains / losses	**(45,498)**	-
Deferred tax liability	**(23,517,042)**	(47,076,830)
The deferred tax asset balance comprises temporary differences attributable to:		
Losses available for offset against future taxable income	**1,483,645**	1,731,531
Accrued expenses and provisions	**53,739**	46,361
Unearned revenue	**-**	11,047
Business related costs	**2,393,568**	40,013
Provision for site restoration	**-**	3,576,782
Deferred tax asset	**3,930,952**	5,405,732
Net deferred tax asset /(liability)	**(19,586,090)**	(41,671,096)

4. INCOME TAXES (CONTINUED)

Movement in temporary differences during the year

	Balance 1 July 2009	Recognised in Income	Recognised on acquisition of controlled entity	Derecognised on disposal of controlled entity	Balance 30 June 2010
	$	$	$	$	$
Consolidated					
Accrued income	(800,910)	367,964	-	-	**(432,946)**
Financial assets	(728,682)	(1,250,282)	-	-	**(1,978,964)**
Accrued expenses and provisions	46,361	12,855	-	(5,507)	**53,739**
Business related costs	40,013	2,353,555	-	-	**2,393,568**
Tax losses	1,731,531	(247,886)	-	-	**1,483,645**
Capitalised exploration expenditure	(45,547,238)	(1,235,642)	-	26,338,600	**(20,444,281)**
Unrealised foreign exchange gains / losses	-	(45,498)	-	-	**(45,498)**
Deferred tax liabilities recognised in foreign jurisdictions	-	(317,355)	(297,998)	-	**(615,353)**
Unearned revenue	11,047	(11,047)	-	-	**-**
Provision for site restoration	3,576,782	-	-	(3,576,782)	**-**
Plant and equipment	-	128,311	-	(128,311)	-
Net deferred tax liability	(41,671,096)	(244,995)	(297,998)	22,628,000	**(19,586,090)**

The Company has recognised deferred tax assets in relation to available Australian-source revenue losses incurred after entering into a tax consolidated group. The basis for bringing these tax losses to account as at 30 June 2010 is the increased likelihood that the Company will be able to generate taxable income in fiscal 2011 against which to utilise the available tax losses.

	Consolidated	
	2010 $	2009 $
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	**390,747**	-
@ 30%	**390,747**	-

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

5. KEY MANAGEMENT PERSONNEL REMUNERATION

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

	Consolidated	
	2010 $	2009 $
Short-term employee benefits	**3,057,473**	2,855,432
Post-employment benefits	**99,748**	-
Share based payments	**2,173,392**	1,514,400
	5,330,613	4,369,832

Detailed remuneration disclosures are provided in the remuneration report on pages 11 to 15.

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:

2010

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

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

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

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

5. KEY MANAGEMENT PERSONNEL REMUNERATION (CONTINUED)

Share holdings of directors and key management personnel (continued)

2009

	Balance 01-Jul-08	Balance held on appointment	Received on exercise of options	On market purchases	On market sales	Balance 30-Jun-09	Balance held nominally
	Number	Number	Number	Number	Number	Number	Number
Directors							
A Sage	20,604,250	-	-	6,335,511	-	26,939,761	26,939,761
T Turner	1,157,858	-	-	150,000	(307,858)	1,000,000	1,000,000
B Maher	738,000	-	-	-	-	738,000	738,000
Other Key Management Personnel							
J Hamilton	-	-	-	-	-	-	-
K Bischoff	-	-	-	-	-	-	-
GV Ariti	678,500	-		121,500	-	800,000	-
F Taylor	-	-	-	-	-	-	-
E von Puttkammer	-	20,000	-	-	-	20,000	-
	23,178,608	20,000	-	6,607,011	(307,858)	29,497,761	28,677,761

Notes:

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

Option holdings of directors and key management personnel

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

2010

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

Option holdings of directors and key management personnel

2009

In the year ended 30 June 2009, 6,350,000 unlisted options were issued to key management personnel. The fair value at grant date of these options was $0.252 per option. The options had an exercise price of $0.432 and an expiry date of 30 June 2010. The value placed on the options issued to key management personnel amounted to $1,600,200. The options were issued for no consideration as part of their remuneration packages. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of these share options was $0.252. Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility. No allowance was made for the effects of early exercise.

	Balance 01-Jul-08	Granted as remuneration*	Balance on appointment	Balance 30-Jun-09	Vested and exercisable 30-Jun-09
	No.	No.	No.	No.	No.
Directors					
A Sage	-	-	-	-	-
T Turner	-	-	-	-	-
B Maher	-	-	-	-	-
Other Key Management Personnel					
J Hamilton	-	1,500,000	-	1,500,000	1,500,000
K Bischoff	-	1,500,000	-	1,500,000	1,500,000
GV Ariti	-	3,000,000	-	3,000,000	3,000,000
F Taylor	-	-	-	-	-
E von Puttkammer	-	-	350,000	350,000	350,000
	-	6,000,000	350,000	6,350,000	6,350,000

* all options vested on grant date

Notes:

1. I Burston resigned on 15 August 2008. Mr Burston's held 3,300,000 share options at the time of his resignation (balance held at 1 July 2008: 3,300,000)
2. P Landau resigned on 17 June 2009. Mr Landau held nil options at the time of his resignation (balance at 1 July 2008: nil)
3. E von Puttkammer was appointed as company secretary on 1 April 2009

6. SHARE-BASED PAYMENT ARRANGEMENTS

Share-based payments granted during the current year:

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

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

Share-based payments granted during the prior year:

Number of unlisted options	Grant Date	Expiry Date	Exercise Price $	Fair Value at Grant Date $
8,350,000	4 August 2008	30 June 2010	0.432*	0.252

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

The fair value of these options was $2,107,540. The options were issued to key management personnel and consultants to the Company for no consideration as part of their remuneration packages. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of these share options was $0.252. Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility. No allowance was made for the effects of early exercise.

The option expense recognised in the 2009 financial year was $1,634,290 and the value of options capitalised during the 2009 financial year was $473,250.

Options outstanding at balance date

There were no options outstanding at 30 June 2010 (2009: 36,350,000).

Reconciliation of options on issue

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

	2010		2009	
	Number of Options	**Weighted Average Exercise Price $**	Number of Options	Weighted Average Exercise Price $
Balance at beginning of the financial year	**36,350,000**	**0.337**	179,037,191	0.328
Granted during the financial year	**-**	**-**	8,350,000	0.500
Exercised during the financial year (i)	**(28,000,000)**	**(0.309)**	(140,244,178)	(0.295)
Forfeited during the financial year (ii)	**(8,350,000)**	**(0.432)**	(10,793,013)	(0.601)
Balance at end of the financial year	**-**	**-**	36,350,000	0.337
Exercisable at end of the financial year	**-**	**-**	36,350,000	0.337

(i) During the current year, 28,000,000 share options were exercised for a weighted average exercise price of $0.309.

(ii) During the current year, 8,350,000 share options lapsed.

Rights attaching to options

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

7. REMUNERATION OF AUDITORS

	Consolidated	
	30 June 2010 $	**30 June 2009 $**
Paid or payable to PricewaterhouseCoopers		
Audit or review of the consolidated financial reports	**263,222**	127,932
Paid or payable to Ernst & Young		
Audit of the financial reports of controlled entities	**237,358**	-
Paid or payable to Grant Thornton		
Audit of the financial reports of controlled entities	**9,140**	-
	509,719	127,932

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	30 June 2010 $	30 June 2009 $
Trade and other receivables – current		
Trade debtors	**487,774**	-
GST recoverable and other debtors	**978,377**	535,502
Prepayments	**158,976**	105,220
Interest receivable	**930,031**	2,807,323
Deposit paid on asset purchase	**1,000,000**	-
Loans to unlisted entities[1]	**5,902,787**	44,088,449
Loans to ASX-listed entities[2]	**3,500,000**	2,370,070
Funds in trust	**1,133,674**	1,600,000
	14,091,619	51,506,564
Trade and other receivable – non current		
Loans to unlisted entities[1]	**2,400,000**	2,240,000
Loans to ASX-listed entities[2]	**2,886,537**	3,500,000
Other	**8,268**	8,502
	5,294,805	5,748,502

[1] Current and non current loans to unlisted entities at 30 June 2010 includes:

- an amount of $3,662,787 (2009: $16,047,948) owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed).
- a convertible loan balance of $2,240,000 (2009: $2,240,000) which was repaid in full subsequent to 30 June 2010.
- an amount of $2,400,000 (2009: Nil) which was advanced during the current year in the form of a convertible loan note which bears interest at the rate of 12% per annum. The conversion option embedded in the loan note allows the Company to convert the outstanding principal and any accrued interest balance at a conversion rate which results in the Company holding a 10% interest in the borrower's share capital post conversion. Given that the borrower is an unlisted entity, the fair value of the conversion option cannot be reliably measured. Accordingly, a nil value has been assigned to the conversion option. This loan is due for repayment on 26 August 2011 or such other date as agreed by the parties to the convertible note.
- During the current year a convertible loan note amount of $28,040,500 which was owing at 30 June 2009 was converted into equity. Refer to note 9(c) for further details.

[2] Current and non current loans to ASX listed entities comprises:

- a loan note of $3,500,000 (2009: $3,500,000) which bears interest at the rate of 12% per annum. The loan is repayable on 10 December 2010 or on such later date as agreed by the parties to the loan note.
- the following amounts in relation to convertible notes that were subscribed to during the year:

	Interest rate	Carrying value of loans	
		30 June 2010 $	30 June 2009 $
Convertible loan note of $2,000,000	12%	-	971,912
Convertible loan note of $2,300,000	12%	-	909,797
Convertible loan note of $1,500,000	10%	1,020,822	-
Convertible loan note of $2,000,000	12%	1,693,841	-
Fair value of loans at inception		2,714,663	1,881,709
Interest receivable recognised using the effective interest rate		505,901	767,335
Interest received at the coupon rate		(334,027)	(269,922)
Adjustment on recognition of call options issued		-	(9,052)
Carrying value at amortised cost at balance date		**2,886,537**	**2,370,070**

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.

Risk Exposure

The Consolidated Entity's exposure to risk is discussed in more detail at Note 31. Trade and other receivables are neither past due nor impaired.

9. OTHER FINANCIAL ASSETS

Financial Assets at Fair value through Profit or Loss

		Consolidated	
		30 June 2010 $	30 June 2009 $
Shares in listed entities		**16,688,006**	26,153,119
Conversion options (a)		**220,780**	4,706,715
Call options (b)		**865,857**	508,319
		17,774,643	31,368,153
Financial Assets Available-for-sale			
Shares in unlisted entities (d)		**8,860,000**	5,160,000
Total Financial Assets		**26,634,643**	36,528,153

9. OTHER FINANCIAL ASSETS (CONTINUED)

(a) Conversion options

During the current year, the Company advanced $3,500,000 (2009: $4,300,000) to ASX listed entities in the form of convertible loans. At inception, the conversion options and call options within these loan agreements were fair valued using a Black-Scholes Option Pricing Model. The fair values of the options were recognised as financial assets at fair value through profit and loss. Subsequent to their initial recognition, the conversion options have been measured at fair value, with any gains or losses being recognised in the Statement of Comprehensive Income. Details are summarised below:

2010

	Interest rate	Option conversion price	No. of call options issued	Call option exercise price	Fair value of loan at inception[3]	Fair value of conversion option at inception	Fair value of call option at inception
					$	$	$
Loan note of $1,500,000	10%	$0.50[1]	-	-	1,020,822	479,179	-
Loan note of $2,000,000	12%	$0.30[2]	-	-	1,693,841	306,159	-
					2,714,663	785,337	-
Loss on fair value of options through profit and loss						(564,557)	-
Carrying value at 30 June 2010						**220,780**	**-**

[1] option conversion price is the lower of $0.50 or the VWAP over the 20 days prior to conversion. The minimum conversion price is set at $0.425.

[2] option conversion price is the higher of $0.30 or the VWAP over the 5 days prior to conversion.

[3] refer to note 8 for further details of the loan component of the convertible loan note.

2009

	Interest rate	Option conversion price	No. of call options issued	Call option exercise price	Fair value of loan at inception[4]	Fair value of conversion option at inception	Fair value of call option at inception
					$	$	$
Loan note of $2,000,000	12%	$0.10	5,000,000	$0.15	971,912	877,725	150,364
Loan note of $2,300,000	12%	$0.15	-	-	909,797	1,390,203	-
					1,881,709	2,267,928	150,364
Adjustment on recognition of second tranche of options						-	9,052
Gain on fair value of options through profit and loss						2,438,787	348,903
Carrying value at 30 June 2009						4,706,715	508,319

[4] refer to note 8 for further details of the loan component of the convertible loan note.

(b) Call options

During the current year, the Company received call options in ASX listed entities subsequent to providing funding in the form of convertible and non convertible loan notes. The call options have been fair valued using a Black-Scholes Option Pricing Model and have been recognised as financial assets at fair value through profit and loss. The gain on receipt of the options has been recognised in the Statement of Comprehensive Income.

Subsequent to their initial recognition, the call options have been measured at fair value, with any gains or losses being recognised in the Statement of Comprehensive Income. Details are summarised below:

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

(c) Conversion and call options exercised during the year

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

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

Fair value of ordinary shares received on conversion	11,321,535
Amount paid on exercise of call options	(750,000)
Carrying value of loans, call options and conversion options on conversion	(8,325,962)
Gain on conversion	2,245,573

(d) Shares in unlisted entities

Unlisted securities are traded in inactive markets and are carried at cost because their fair values cannot be reliably measured.

10. RESTRICTED CASH

	Consolidated	
	30 June 2010 $	30 June 2009 $
Current restricted cash		
Term deposits	**25,257**	4,057,334
Non current restricted cash		
Term deposits	**1,466,716**	10,812,629

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

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

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

Risk Exposure

The Cape Lambert Group's exposure to risk is discussed in Note 31.

11. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 June 2010 $	30 June 2009 $
Plant and Equipment		
At cost	**1,989,970**	9,120,596
Accumulated depreciation	**(817,163)**	(227,487)
	1,172,807	8,893,109
Leasehold Improvements		
At cost	**105,338**	48,687
Accumulated depreciation	**(69,095)**	(22,409)
	36,243	26,278
Total Property, Plant and Equipment	**1,209,050**	8,919,387

(a) Reconciliations

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

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

	Consolidated		
2009	**Plant & Equipment**	**Leasehold Improvements**	**Total**
	$	**$**	**$**
Balance at beginning of the year	159,239	1,081	160,320
Additions	65,036	30,879	95,915
Acquired through the acquisition of controlled entities	8,731,337	-	8,731,337
Depreciation expense	(62,503)	(5,682)	(68,185)
Carrying amount at 30 June 2009	8,893,109	26,278	8,919,387

(b) Leased assets

Plant and equipment includes the following amounts where the Cape Lambert Group is a lessee under a finance lease:

	Consolidated	
	30 June 2010	**30 June 2009**
	$	**$**
Leased equipment acquired through a business combination	-	1,447,466

12. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	30 June 2010 $	30 June 2009 $
Exploration and evaluation phases – at cost		
Movement in carrying amounts		
Brought forward	**154,679,278**	28,000
Exploration and evaluation expenditure capitalised during the year	**11,790,230**	5,510,621
Exploration assets acquired	**109,912,431**	149,211,719
Exploration assets sold during the year	**(76,233,117)**	(71,062)
Total exploration and evaluation phases	**200,148,822**	154,679,278

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.

13. INVESTMENTS IN ASSOCIATED ENTITIES

	Consolidated	
	30 June 2010 $	30 June 2009 $
Shares in associates accounted for using the equity method	**66,785,069**	38,384,711

(a) Investment details

Listed		
Corvette Resources Limited (formerly Tianshan Goldfields Limited)	**14,880,060**	4,293,811
NiPlats Australia Limited	**5,578,900**	-
Fe Limited (formerly Buka Gold Limited)	**1,033,212**	856,715
Herencia Resources plc	**-**	2,293,844
Unlisted		
Marampa Iron Ore Limited	**-**	27,691,260
Plumridge Gold Pty Ltd	**-**	3,249,081
Pinnacle Group Assets Limited	**45,292,897**	-
	66,785,069	38,384,711

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

	Consolidated	
	30 June 2010 $	30 June 2009 $
Balance at beginning of period	**38,384,711**	-
Interest in associate acquired on conversion of convertible loan	**34,822,200**	-
Acquisition of shares in associates	**40,355,469**	20,770,000
Provision of feasibility study funding	**-**	6,921,260
Fair value of interest in associate acquired as part of a business combination	**-**	11,547,782
Share of losses of associates recognised during the year	**(3,400,210)**	-
Share of reserves of associates recognised during the year	**(244,996)**	-
Interest in associate disposed of during the period	**(10,421,053)**	-
Interest in associate transferred to controlled entities during the period	**(32,711,052)**	
Impairment loss	**-**	(854,331)
	66,785,069	38,384,711

(c) Fair value of investments in listed associates

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

	30 June 2010 $	30 June 2009 $
Corvette Resources Limited (formerly Tianshan Goldfields Limited)	**11,799,464**	4,293,811
NiPlats Australia Limited	**6,337,500**	-
Fe Limited (formerly Buka Gold Limited)[1]	**1,391,480**	856,715

[1] Although the Company holds less than a 20% in Fe Limited, this investment is equity accounted given the significant influence the Company has through Mr Sage's role on the Board of Fe Limited.

(d) Summarised financial information

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

	30 June 2010 $	30 June 2009 $
Extract from statement of financial position at 100%:		
Assets	**74,873,235**	35,797,322
Liabilities	**3,002,136**	3,268,129
Extract from statement of comprehensive income at 100%:		
Revenue	**3,666,538**	638,029
Net Profit	**(6,891,686)**	(6,441,654)

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 2010 and no impairment provisions have been considered necessary.

14. TRADE AND OTHER PAYABLES

	Consolidated	
Current	30 June 2010 $	30 June 2009 $
Unsecured		
Trade payables	**3,270,092**	1,607,055
Accrued takeover acceptances payments - DMC Mining Limited	**22,233,433**	-
Other creditors and accruals	**7,338,689**	5,629,166
Accrued stamp duty	**-**	5,811,175
Deferred purchase consideration	**-**	10,000,000
Employee benefits	**52,085**	251,396
	32,894,299	23,298,792

Risk Exposure

The Cape Lambert Group's exposure to risk is discussed in Note 31.

Terms and Conditions

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and are normally settled on 45 day terms.

(ii) Sundry creditors and accruals are non-interest bearing and have an average term of 45 days.

15. PROVISIONS

	Consolidated	
	30 June 2010 $	30 June 2009 $
Current provisions		
Provision for dividend	**43,803,183**	-
Non-current provisions		
Provision for site restoration and rehabilitation	**-**	11,922,606
Balance at beginning of period	**11,922,606**	-
Recognised pursuant to business combination		11,922,606
Derecognised on disposal of controlled entity	**(11,922,606)**	-
Balance at end of period	**-**	11,922,606

16. BORROWINGS

	Consolidated	
	30 June 2010 $	30 June 2009 $
Current borrowings		
Bank loans[1]	-	14,786,009
Lease liabilities[2]	-	1,084,851
	-	15,870,860
Non current borrowings		
Lease liabilities[2]	-	2,991,074

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

[2]The lease liabilities were disposed of in May 2010 through the disposal of a controlled entity. Refer to note 23 for more information.

17. ISSUED CAPITAL

	Consolidated	
	30 June 2010 $	30 June 2009 $
625,759,256 fully paid ordinary shares (2009: 532,797,213)	**177,603,225**	126,016,077

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

17. ISSUED CAPITAL (CONTINUED)

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

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

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

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

2009	Ordinary fully paid shares	
	Number	$
Shares on issue at 1 July 2008	322,553,035	82,008,254
Options exercised July 2008	58,335,913	16,219,530
Options exercised August 2008	54,674,000	17,644,698
Options exercised September 2008	4,491,144	1,244,047
Options exercised October 2008	22,241,846	6,161,002
Options exercised November 2008	491,275	102,676
Options exercised February 2009	10,000	2,089
Shares issued as purchase consideration of associate on 1 October 2008	44,000,000	15,840,000
Shares issued as purchase consideration of associate on 22 January 2009	17,000,000	4,930,000
Return of capital in October 2008	-	(31,365,644)
Tax effect of capital raising costs	-	50,107
Recognition of options exercised	-	13,179,318
Balance at 30 June 2009	523,797,213	126,016,077

Capital Risk Management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistently with others in the industry, the Company 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 2010 $	30 June 2009 $
Total Trade and other payables	**32,894,299**	42,160,726
less: Cash and cash equivalents	**(135,709,067)**	(74,058,703)
Net (cash)/debt	**(102,814,768)**	(31,897,977)
Total equity	**353,372,866**	268,890,597
Total capital	**250,558,098**	236,992,620
Gearing ratio	**0%**	0%

18. RESERVES

	Consolidated	
	30 June 2010 $	30 June 2009 $
Foreign currency translation reserve	**(1,458,768)**	-
Share based payments reserve	**167,308**	4,386,526
	(1,291,460)	4,386,526
Foreign currency translation reserve		
Balance at beginning of financial year	**-**	-
Foreign currency exchange differences arising on translation of foreign operation	**(1,046,464)**	-
Share of movement of associate's foreign currency translation reserve	**(412,304)**	
Balance at end of financial year	**(1,458,768)**	-
Share based payments reserve		
Balance at beginning of financial year	**4,386,526**	15,458,304
Options issued on 4 August 2008	**-**	2,107,540
Share of movement of associate's share based payments reserve	**167,308**	
Adjustment for options exercised in the current year	**(2,212,000)**	(13,179,318)
Adjustment for options that lapsed in the current year	**(2,174,526)**	-
Balance at end of financial year	**167,308**	4,386,526

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.

19. RETAINED PROFITS / (ACCUMULATED LOSSES)

	Consolidated	
	30 June 2010 $	30 June 2009 $
Balance at beginning of financial year	**138,487,994**	(21,551,046)
Profit for the year	**72,248,076**	229,009,330
Dividend declared	**(43,803,183)**	(68,970,290)
Balance at end of financial year	**166,932,887**	138,487,994

20. EARNINGS PER SHARE

	2010 Cents per Share	2009 Cents per Share
Basic earnings per share (a)	**12.66**	47.27
Diluted earnings per share (b)	**12.20**	45.57

(a) Basic Earnings per Share

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

	30 June 2010 $	30 June 2009 $
Profit for the year	**72,248,076**	229,009,330

	2010 Number	2009 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,630,987**	484,449,520

(b) Diluted Earnings per Share

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

	30 June 2010 $	30 June 2009 $
Profit for the year	**72,248,076**	229,009,330

	2010 Number	2009 Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share (c)	**592,263,864**	502,500,911

(c) Weighted average number of shares

	2010 Number	2009 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**570,630,987**	484,449,520
Effect of dilution:		
Share options	**21,632,877**	18,051,391
	592,263,864	502,500,911

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

There have been no transactions involving ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

21. COMMITMENTS

	Consolidated	
	30 June 2010 $	30 June 2009 $
Operating lease commitments		
Minimum lease payments not provided for in the financial report and payable:		
not later than one year	**754,992**	623,086
later than one year but not later than five years	**640,688**	1,306,611
later than five years	**-**	-
Aggregate expenditure contracted for at balance date but not provided for	**1,395,680**	1,929,697

Notes:

(i) The Company entered into a lease commencing on 1 July 2007 for office premises at 18 Oxford Close, Leederville, for a period of 3 years, terminating on 30 June 2010. During the current year, this lease was extended by a further 12 months to 30 June 2011.

(ii) The Company entered into a lease commencing on 1 May 2007 for office premises at 2 Ord Street West Perth, for a period of 5 years, terminating on 30 April 2012.

(iii) As part of a business combination completed in June 2009, Cape Lambert Minsec Pty Ltd (a wholly owned subsidiary of the Company) has assumed the lease obligations for office premises located in Golden Square, London. The lease of these premises terminates on 3 July 2012.

	Consolidated	
	30 June 2010 $	30 June 2009 $
Finance lease commitments		
Commitments in relation to finance leases are payable as follows:		
not later than one year	**-**	1,084,851
later than one year but not later than five years	**-**	2,991,074
later than five years	**-**	-
	-	4,075,925

Mineral Tenement Discretionary Commitments

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

	Consolidated	
	30 June 2010 $	30 June 2009 $
Not longer than one year	**5,693,955**	2,678,581
Longer than one year, but not longer than five years	**4,105,221**	4,264,303
Longer than five years	**-**	-
	9,799,176	6,942,884

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.

22. CONTINGENT ASSETS AND LIABILITIES

At 30 June 2010, the Cape Lambert Group has the following contingent liabilities and contingent assets:

	Consolidated	
	30 June 2010 $	30 June 2009 $
Contingent Assets		
Consideration receivable in relation to the sale of the Cape Lambert Project[1]	**80,000,000**	80,000,000
Consideration receivable in relation to the sale of the Lady Annie Project[2]	**5,000,000**	-
Contingent Liabilities		
Commission payable in relation to the sale of the Cape Lambert Project[1]	**(7,600,000)**	(7,600,000)

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

As at 30 June 2010, the final payment of $80,000,000 had not been received and in September 2010, the Company commenced legal action to recover the final payment owing.

Given the uncertainty surrounding the receipt of this final payment, the Company has not recognized the final payment owing as a receivable.

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

2 During the current year, the Company disposed of 100% of its interest in Cape Lambert Lady Annie Exploration Pty Ltd, the holder of the Lady Annie Project, to China Sci-Tech Holdings Limited, a Hong Kong listed Company, for $135 million. The purchase consideration includes two deferred payments of $2.5 million each, which are payable once certain production and reserve related milestones are achieved. Given that it is not certain that the production and reserve related milestones will be achieved, the Company has not recognized the two deferred payments as a receivable.

23. DISPOSAL OF CONTROLLED ENTITY

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

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

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

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

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

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

24. BUSINESS COMBINATION

(a) Summary of acquisitions

During the current year, the Company converted a $2 million note in African iron ore explorer, DMC Mining Limited ("DMC") and exercised 5 million DMC options, which enabled the Company to acquire a 36% interest in DMC.

In March 2010, the Company announced a takeover bid for DMC which was successfully completed on 20 August 2010, with Cape Lambert acquiring 100% of DMC. As at 30 June 2010, Cape Lambert had obtained control over DMC with a 79% interest.

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

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

Had Cape Lambert obtained control over DMC at the beginning of the financial year, it would have recognised a loss of $3,145,515 in its statement of comprehensive income, being its share of the loss reported by DMC for the year of 3,981,665.

In the prior year, the Company entered into agreements with CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) to purchase 100% of the shares of Mineral Securities Limited and the tenements and assets associated with the Lady Annie Project located in Mt Isa. The acquisition completed on 29 June 2009

24. BUSINESS COMBINATION (CONTINUED)

(b) Summary of goodwill and discounts on acquisition arising from business combinations

The provisional goodwill or discount on acquisition arising on business combinations results when comparing the assessment of the acquired identifiable assets, liabilities and contingent liabilities to the cost of the acquisition. Discounts on acquisition are recognised in the statement of comprehensive income.

Details of the provisional goodwill or discount on acquisition amounts recognised are as follows:

Current year

	$
Cash purchase price pursuant to take over bid	22,253,125
Fair value of investment in DMC on date control obtained	16,302,800
Total purchase consideration	38,555,925
Share of fair value of net identifiable assets acquired (refer to (c) below)	38,555,925
Goodwill / (discount on acquisition)	-
Purchase price for takeover bid acceptances received to 30 June 2010	22,253,125
Less: amounts unpaid as at 30 June 2010	22,233,433
Net cash outflow	19,692

Prior year

	$
Agreed purchase price	135,100,001
Direct costs relating to the acquisition	1,257,463
Total purchase consideration	136,357,464
Fair value of net identifiable assets acquired (refer to (c) below)	191,742,701
Goodwill / (discount on acquisition)	(55,385,237)
Agreed purchase price	135,100,001
Less:	
Deferred consideration	(10,000,000)
Repayment of secured debt acquired by Dempsey Resources Pty Ltd on 6 February 2009	(67,328,512)
Repayment of working capital facility provided by Dempsey Resources Pty Ltd	(18,000,000)
Refund of performance bond called upon at completion	(1,500,000)
Payment of interest on debt facilities provided by Dempsey Resources Pty Ltd	(3,161,649)
Refund of administrator and performance bond fees	(148,191)
	90,138,352
Net cash outflow	34,961,649

(c) Summary of assets and liabilities acquired

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

	DMC Mining Limited acquisition		CopperCo Limited acquisition
	2010		2009
	Carrying value	Fair Value[2]	Fair Value[1,2]
	$	$	$
Cash and cash equivalents	2,264,514	2,264,514	2,026,211
Restricted cash	-	-	4,920,304
Trade and other receivables	229,181	229,181	10,126,746
Inventory	-	-	4,421,135
Financial assets at fair value through profit and loss	-	-	21,567,314
Investments accounted for using the equity method	-	-	11,547,782
Property, plant & equipment	240,858	240,858	8,731,337
Exploration assets	15,511,787	47,160,678	149,211,719
Total assets	18,246,340	49,895,231	212,552,548
Trade and other payables	(1,178,502)	(1,178,502)	(4,562,113)
Provision for employee benefits	(32,590)	(32,590)	(249,203)
Lease liabilities	-	-	(4,075,925)
Environmental performance obligations	-	-	(11,922,606)
Total liabilities	(1,211,092)	(1,211,092)	(20,809,847)
Net assets	17,035,248	48,684,139	191,742,701
Attributable to minority interests[3]	(3,543,577)	(10,128,214)	-
Net assets acquired	**13,491,672**	**38,555,925**	**191,742,701**

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

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

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

25. SUBSIDIARIES

		Ownership Interest	
Name of Entity	Country of Incorporation	2010 %	2009 %
Parent entity			
Cape Lambert Resources Limited	Australia	-	-
Subsidiaries			
International Goldfields (Romania) Pty Ltd	Australia	100%	100%
Dempsey Resources Pty Ltd	Australia	100%	100%
Evanston Resources Pty Ltd	Australia	100%	100%
Mt Anketell Pty Ltd	Australia	100%	100%
Cape Lambert Lady Annie Exploration Pty Ltd	Australia	-	100%
Cape Lambert Minsec Pty Ltd	Australia	100%	100%
Cape Lambert Lady Loretta Pty Ltd	Australia	100%	-
Cape Lambert Leichhardt Pty Ltd	Australia	100%	-
Mineral Securities Limited	British Virgin Islands	100%	100%
Minsec Investments (BVI) Limited	British Virgin Islands	100%	100%
Mineral Securities (UK) Ltd	UK	100%	100%
Andalucla Mineral Services Limited	UK	100%	100%
MS Corporate Director Limited	UK	100%	100%
MS Corporate Secretary Limited	UK	100%	100%
Scarborough Minerals (Australia) Pty Ltd	Australia	100%	100%
Scarborough Minerals (Finance) Ltd	UK	100%	100%
Scarborough Minerals Overseas Holdings Ltd	UK	100%	100%
Scarborough Minerals International BV	Netherlands	100%	100%
Greenwich Reources (CR)	Czech Republic	100%	100%
Kyprou Gold Limited	UK	100%	100%
Thrace Minerals Exploration & Mining SA	Greece	100%	100%
Thrace Investments BV	Netherlands	100%	100%
Scarborough NL	Australia	100%	100%
Sierra Minerals Limited	UK	100%	100%
Sierra Exploration SA	Chile	100%	100%
Danae Resources Pty Ltd	Australia	100%	100%
Manor Resources NL	Australia	100%	100%
Multiplex Development Zarmitan Limited	UK	100%	100%
Buka Minerals Pty Ltd	Australia	100%	100%
Buka Technologies Pty Ltd	Australia	100%	100%
Kadina Pty Ltd	Australia	100%	100%
Buka Minerals (Lady Loretta No.2) Pty Ltd	Australia	100%	100%
Minsec Investment Holdings (BVI) Limited	British Virgin Islands	100%	100%
Mineral Securities Investments (Australia) Pty Ltd	Australia	100%	100%

		Ownership Interest	
Name of Entity	Country of Incorporation	2010 %	2009 %
Mineral Securities Operations Limited	Australia	100%	100%
Copperwell Pty Ltd	Australia	100%	100%
CopperCo Minerals Pty Ltd	Australia	100%	100%
Millennium Minerals Operations Pty Ltd	Australia	100%	100%
Allied Mining Pty Ltd	Australia	100%	100%
Australian Ferroalloys Pty Ltd	Australia	100%	100%
Goodwest Investments Pty Ltd	Australia	100%	100%
Cuesta Resources (BVI) Limited	British Virgin Islands	100%	100%
Algarrobo Holdings (BVI) Limited	British Virgin Islands	100%	100%
Q Copper Australia Limited	Australia	90%	-
Q Copper (BVI) Limited	British Virgin Islands	100%	-
Lady Annie Limited	British Virgin Islands	100%	-
Australis Exploration Limited	Australia	100%	100%
Mineral Securities (China) Pty Ltd	Australia	100%	100%
Mineral Securities (NK) Pty Ltd	Australia	100%	100%
Mineral Securities Hong Kong (NK) Limited	Hong Kong	88%	88%
Platmin Holdings Pty Ltd	Australia	100%	100%
Mineral Securities (SA) P/L	South Africa	83.3%	83.3%
Mineral Securities Holdings Pty Ltd	Australia	100%	-
Marampa Iron Ore Limited	Australia	100%	35%
Mojo Minerals Limited	Australia	100%	-
DMC Mining Limited	Australia	79.20%	-

26. SEGMENT INFORMATION

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

	Mineral Exploration		Other		Total	
	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $
Sales	**6,512,922**	-	**-**	-	**6,512,922**	-
Interest received	**2,690,505**	2,841,960	**2,400,585**	15,008,367	**5,091,090**	17,850,327
Rental income	**-**	-	**28,671**	-	**28,671**	-
Other revenue	**-**	1,848,942	**313,409**	41,025	**313,409**	1,889,967
Total segment revenue	**9,203,427**	4,690,902	**2,742,665**	15,049,392	**11,946,902**	19,740,249

26. SEGMENT INFORMATION (CONTINUED)

	Mineral Exploration		Other		Total	
	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $
Segment net operating profit after tax	**66,226,738**	213,959,939	**6,021,338**	15,049,392	**72,248,076**	229,009,331
Segment net operating profit after tax includes the following significant items:						
Interest and other finance charges	**(1,148,482)**	(407,522)	**-**	-	**(1,148,482)**	(407,522)
Share of losses of associate	**(3,400,210)**	-	**-**	-	**(3,400,210)**	-
Profit on disposal of controlled entity	**85,222,069**	-	**-**	-	**85,222,069**	-
Gain on recognising fair value of associate before it became a controlled entity	**11,283,009**	-	**-**	-	**11,283,009**	-
Gain/(loss) on fair value of financial assets through profit & loss	**(5,074,817)**	252,055	**3,278,673**	-	**(1,796,144)**	252,055
Profit on disposal of financial assets	**6,434,307**	1,329,109	**-**	-	**6,434,307**	1,329,109
Profit on disposal of tenements	**-**	232,667,721	**-**	-	**-**	232,667,721
Profit on disposal of associates	**2,042,814**	-	**-**	-	**2,042,814**	-
Gain on conversion of loan note	**2,245,573**	-	**-**	-	**2,245,573**	-
Gain on recognition of call option	**2,474,330**	-	**-**	-	**2,474,330**	-
Depreciation	**(386,318)**	(68,185)	**-**	-	**(386,318)**	(68,185)
Segment assets	**436,790,768**	384,116,396	**14,574,280**	5,000,000	**451,365,048**	389,116,396

	Mineral Exploration		Other		Total	
	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $	30 June 2010 $	30 June 2009 $
Segment assets include:						
Capitalised exploration expenditure	**200,148,822**	154,679,278	**-**	-	**200,148,822**	154,679,278
Investments in associates	**66,785,069**	38,384,711	**-**	-	**66,785,069**	38,384,711
Financial assets	**12,060,363**	31,528,153	**14,574,280**	5,000,000	**26,634,643**	36,528,153
Other assets	**157,796,514**	159,524,254	**-**	-	**157,796,514**	159,524,254
	436,790,768	384,116,396	**14,574,280**	5,000,000	**451,365,048**	389,116,396
Segment liabilities	**(95,612,714)**	(95,791,250)	**(2,379,468)**	(24,434,549)	**(97,992,182)**	(120,225,799)
Cash flow information						
Net cash in/(out) from operating activities	**(24,959,592)**	(3,327,223)	**(21,471,123)**	10,960,081	**(46,430,715)**	7,632,858
Net cash in/(out) from investing activities	**114,362,200**	94,464,454	**-**	-	**114,362,200**	94,464,454
Net cash in/(out) from financing activities	**(14,933,121)**	14,786,009	**8,652,000**	(58,961,603)	**(6,218,121)**	(44,175,594)

Segment information by geographical region

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

	Consolidated Entity	
	30 June 2010 $	30 June 2009 $
Australia	**93,826,261**	159,351,839
United Kingdom	**110,537**	253,193
Africa	**159,518,958**	27,691,260
Greece	**14,687,084**	14,687,084
	268,142,841	201,983,376

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

27. RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of Cape Lambert Resources Limited and the subsidiaries listed in note 25.

(b) Ultimate parent

The ultimate Australian parent entity is Cape Lambert Resources Limited

(c) Transactions with related parties

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

- Hewitt, Turner & Gelevitis, a company of which Timothy Turner is a director, provided accounting consultancy services for $120 (including GST) (2009: $19,298).
- Cape Lambert Resources Limited provided accounting and corporate advisory services to African Petroleum Corporation Limited, a company of which Tony Sage and Timothy Turner are directors, for $116,707 (including GST).
- Cape Lambert Resources Limited provided accounting and corporate advisory services to International Petroleum Limited, a company of which Tony Sage and Timothy Turner are directors, for $116,721 (including GST).
- Cape Lambert Resources Limited recouped expenditure amounting to $4,376 incurred by Cape Lambert Resources Limited on behalf of Cauldron Energy Limited, a company of which Tony Sage is a director.
- Cape Lambert Resources Limited recouped expenditure amounting to $20,221 incurred by Cape Lambert Resources Limited on behalf of Corvette Resources Limited, a company of which Tony Sage is a director.
- Cape Lambert Resources Limited recouped expenditure amounting to $8,750 incurred by Cape Lambert Resources Limited on behalf of African Petroleum Corporation Limited, a company of which Tony Sage and Timothy Turner are directors.
- Cape Lambert Resources Limited recouped expenditure amounting to $5,902 incurred by Cape Lambert Resources Limited on behalf of Fe Limited, a company of which Tony Sage is a director.

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

28. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 30 June 2010:

- In July 2010, the Company paid the $44 million fully franked dividend it had declared in June 2010;
- In July 2010, the Company announced that it had signed a binding term sheet with African Minerals Limited formalising ownership and access rights to the Marampa rail and Pepel Port in Sierra Leone. Cape Lambert will have an initial minimum transport capacity of 2Mtpa and will earn a 33% equity interest by contributing US$45million towards the rail and port refurbishment costs.
- In early August 2010, Cape Lambert successfully completed the acquisition of the Leichhardt Copper Project located in world class Mt Isa base metals province of north west Queensland. Payment on completion amounted to $6.8 million which was in addition to a deposit of $1 million paid prior to 30 June 2010. The Leichhardt process plant at Mt Cuthbert – a heap leach, solvent extraction and electrowinning facility has an installed production capacity of 9,000 tpa of copper cathode; and
- In early August 2010, Cape Lambert formed a strategic alliance with Chameleon Mining NL ("Chameleon"). Cape Lambert has advanced $6.5 million to Chameleon in the form of a credit facility and has also participated to the extent of $2 million in a placement conducted by Chameleon. The alliance with Chameleon exposes Cape Lambert Shareholders to a potential positive outcome from a pending Federal Court decision in relation to Murchison Metals Ltd in respect of the ownership of the producing Jack Hills iron ore asset.
- On 9 July 2010, Cape Lambert's takeover bid for DMC Mining Limited ("DMC") closed with Cape Lambert having obtained a 92.96% interest in DMC. On 12 July 2010, Cape Lambert announced that it had commenced the process to compulsorily acquire the remaining DMC shares and this process was completed on 20 August 2010.
- In September 2010, 10 million 10 cent options in Latin Resources Limited ("Latin") were exercised and Latin repaid a $2.2 million convertible note. Latin was admitted to trading on ASX in September 2010, at which point Cape Lambert held a 17% interest in Latin.
- In September 2010, a parcel of 23,100,000 shares in NiPlats Australia Limited ("NiPlats") has been sold realising $9,581,529.
- In September 2010, Cape Lambert commenced legal action against MCC Australia Sanjin Mining Pty Ltd and its parent company Metallurgical Corporation of China Limited to recover the final payment of $80 million due in relation to the sale of the Cape Lambert North tenements.

Other than the above, no event has arisen since 30 June 2010 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.

29. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	30 June 2010 $	30 June 2009 $
Cash and cash equivalents		
Cash in banks and on hand	**12,938,935**	43,178,779
Deposits at call	**122,770,132**	30,879,924
	135,709,067	74,058,703

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

	Consolidated	
	30 June 2010 $	30 June 2010 $
Profit from ordinary activities	**72,248,076**	229,009,330
Adjusted for non cash items:		
Gain on disposal of financial assets through profit & loss	**(6,434,307)**	(1,329,109)
Gain on disposal of associates	**(2,042,814)**	-
Gain on recognising fair value of associate before it became a controlled entity	**(11,283,009)**	-
Gain on disposal of restricted securities by Receiver of CopperCo Limited (In Liquidation) (Receiver and Manager appointed)	**(219,264)**	-
Gain on sale of tenements	**-**	(232,667,721)
Gain on conversion of convertible note	**(2,245,573)**	-
Gain on recognition of call option	**(2,474,330)**	-
(Gain) / loss on fair value of financial assets through profit & loss	**1,796,144**	(252,055)
Amortisation of work in progress	**3,080,374**	-
Discount on acquisition of secured debt	**-**	(2,563,283)
Interest on loan facilities provided	**(537,787)**	(3,161,649)
Non cash element of interest income recognised using the effective interest rate method	**(223,218)**	(767,335)
Impairment of associates	**-**	854,331
Depreciation and amortisation of non-current assets	**386,318**	68,185
Share of losses of associate	**3,400,210**	-
Equity settled share-based payment	**3,498,392**	1,634,290
Options received in lieu of invoiced income	**(10,000)**	-
Profit on disposal of controlled entity	**(85,222,069)**	-
Tax effect of capital raising costs on equity	**-**	50,017
Discount recognised on acquisition of business combination	**-**	(55,385,237)
Changes in net assets and liabilities, net of effects from acquisition of business combination:		
(Increase)/decrease in trade and other receivables	**986,468**	(2,589,247)
(Increase)/decrease in inventories	**306,515**	-
Increase / (decrease) in deferred tax balances	**943,826**	45,526,801
Increase / (decrease) in trade and other payables	**1,774,618**	4,774,835
Increase / (decrease) in income tax payable	**(24,159,186)**	24,430,705
Net cash provided by / (used) in operating activities	**(46,430,715)**	7,632,858

29. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) Non-Cash Activities

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

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

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

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

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

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

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

30. DIVIDENDS PAID AND PROPOSED

	30 June 2010 $	30 June 2009 $
Declared and paid during the year:		
Dividends on ordinary shares:		
Declared: franked dividend for 2010: 7.0c per share	**43,803,183**	-
Paid: un-franked dividend for 2009: 14.9c per share	**-**	68,970,290
	43,803,186	68,970,290

31. FINANCIAL RISK MANAGEMENT

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

	30 June 2010 $	30 June 2009 $
Financial assets:		
Cash and cash equivalents	**135,709,067**	74,058,703
Restricted cash	**1,491,973**	14,869,963
Trade and other receivables	**19,386,424**	57,255,066
Other financial assets	**26,634,643**	36,528,163
	183,222,107	182,711,895
Financial liabilities:		
Trade and other payables	**32,894,299**	23,298,792
Borrowings	**-**	18,861,934
	32,894,299	42,160,726

(a) Market Risk

(i) Foreign Currency Risk

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

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

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 Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. The Group is exposed to movements in market interest rates on short term deposits. The policy is to monitor the interest rate yield curve out to 120 days to ensure a balance is maintained between the liquidity of cash assets and the interest rate return.

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

Financial assets:		
Cash and cash equivalents	**135,709,067**	74,058,703
Restricted cash	**3,091,973**	16,469,963
	138,801,040	90,528,666
Weighted average interest rate	**3.00%**	6.44%

Movement of 50 basis points on the interest rate would have increased/ (decreased) the consolidated profit by $420,144 (2009:$920,341).

31. FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Price Risk

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

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

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

The table below summarises the impact of increases/decreases of this index on the Cape Lambert Group's post tax profit for the year and on equity. The analysis is based on the assumption that the equity index had increased/decreased by 10% (2009 – 10%) with all other variables held constant and all the Cape Lambert Group's equity instruments moved according to the historical correlation with the index.

Consolidated	Impact on Post-Tax Profit/(Loss)		Impact on Equity	
Index	2010 $	2009 $	2010 $	2009 $
ASX 200	**1,594,667**	466,108	**-**	-
AIM	**74,134**	382,124	**-**	-
TSX	**-**	1,767,003	**-**	-

(b) Credit Risk

Credit risk is managed on a consolidated basis. Credit risk arises from cash and cash equivalents and credit exposures to wholesale and retail customers and suppliers. The 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 not materially exposed to any individual overseas country or individual customer.

The Cape Lambert Group is exposed to credit risk as a result of subscribing to loan notes and convertible loan notes issued by listed and unlisted entities. This credit risk is managed by obtaining adequate security over the loans, generally in the form of a fixed and floating charge over the assets of the borrower. Details of the loan notes and convertible loan notes to which the Cape Lambert Group had subscribed during the year are listed in notes 8.

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

	30 June 2010 $	30 June 2009 $
Financial assets:		
Cash and cash equivalents and restricted cash		
AAA	**137,201,040**	88,928,666

(c) Liquidity Risk

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

At the reporting date, the Cape Lambert Group had no financing arrangements in place.

(d) Fair Value Estimation

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

As of 1 July 2009, the Cape Lambert Group has adopted the amendment of *AASB 7 Financial Instruments: Disclosures* which requires disclosures of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets (level 1); and

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

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

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

Financial assets Available-for-sale

Shares in unlisted entities	8,860,000

Financial assets available for sale comprise investments in unlisted securities which are carried at cost because their fair values cannot be reliably measured.

32. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

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

	30 June 2010 $	30 June 2009 $
Statement of financial position		
Current assets	**264,138,897**	57,657,250
Total assets	**371,764,903**	232,752,427
Current liabilities	**(161,308,950)**	(48,963,926)
Total liabilities	**(161,308,950)**	(48,963,926)
Shareholders' equity		
Issued capital	**177,603,225**	126,016,077
Reserves	**-**	4,386,526
Retained earnings	**32,852,728**	53,385,898
Net profit for the year	**23,270,014**	133,495,173
Total comprehensive income	**23,270,014**	133,495,173

b) Guarantees entered into by the parent entity

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

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries during the current year (2009: Nil).

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   (a) the financial statements and notes set out on pages 17 to 72, and the Remuneration disclosures that are contained in pages 11 to 15 of the Remuneration Report in the Directors' Report, 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 2010 and of its performance, for the period ended on that date; and

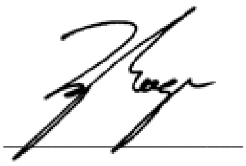
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

   (iii) complying with International Financial Reporting Standards as disclosed in Note 2.

   (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 2010.

Signed in accordance with a resolution of the Directors:



Antony Sage
Director

Perth, 30 September 2010

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

QV1
250 St Georges Terrace
PERTH WA 6000
GPO Box D198
PERTH WA 6840
DX 77 Perth
Australia
Telephone +61 8 9238 3000
Facsimile +61 8 9238 3999
www.pwc.com/au

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

Report on the financial report

We have audited the accompanying financial report of Cape Lambert Resources Limited (the company), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Cape Lambert Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 14 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Cape Lambert Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
30 September 2010

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 2010. 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	Establish and disclose the policy concerning trading in Company securities by directors, senior executives and employees.	Yes
3.3	Provide the information indicated in the guide to reporting on Principle 3.	Yes

Recommendation	Comply Yes / No
Principal 4 – Safeguard integrity in financial reporting	
The Board should establish an audit committee.	Yes
The audit committee should be structured so that it: • consists only of non-executive directors; • consists of a majority of independent directors; • is chaired by an independent chairperson, who is not chairperson of the Board; and • has at least three members.	Yes
The audit committee should have a formal charter.	Yes
Provide the information indicated in the guide to reporting on Principle 4.	Yes
Principal 5 – Make timely and balanced disclosure	
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
Provide the information indicated in the guide to reporting on Principle 5.	Yes
Principal 6 – Respect the rights of shareholders	
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
Provide the information indicated in the guide to reporting on Principle 6.	Yes
Principal 7 – Recognise and manage risk	
Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes
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
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
Provide the information indicated in the guide to reporting on Principle 7.	Yes
Principal 8 – Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee.	Yes
8.2 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.3 Provide the information indicated in the guide to reporting on Principle 8.	Yes

THE BOARD OF DIRECTORS

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

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

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

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

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

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

STRUCTURE OF THE BOARD

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

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Timothy Turner, Mr Ross Levin (appointed 1April 2010) and Mr Brian Maher are Non-Executive Directors, and are independent directors as they meet the following criteria for independence adopted by the Company.

An Independent Director is a Non-Executive Director and:

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

Mr Antony Sage is the Executive Chairman of the Company and does not meet the Company's criteria for independence. The Board believes his experience and knowledge of the Company makes him the most appropriate person to lead the Board.

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

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

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

Mr Antony Sage	9 years & 9 months	(Executive Chairman)
Mr Timothy Turner	6 years	(Non-Executive Director)
Mr Brian Maher	4 years & 9 months	(Non-Executive Director)
Mr Ross Levin	3 months	(Non-Executive Director)

PERFORMANCE REVIEW/EVALUATION

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

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

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

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

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

SECURITIES TRADING POLICY

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

As a matter of course trading in securities of the Company are restricted in the following periods:

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

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

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

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

ATTESTATIONS BY CEO AND CFO

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

AUDIT AND RISK COMMITTEE

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

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

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

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

Mr Timothy Turner	(Committee Chairman)
Mr Brian Maher	
Mr Ross Levin	(Appointed 1 April 2010)

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 Timothy Turner
Mr Brian Maher
Mr Ross Levin

Responsibilities

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

Remuneration Policy

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

Senior Executive Remuneration Policy

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

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

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

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

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

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

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

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

Current Director Remuneration

Full details regarding the remuneration of Directors, is included in the Directors' Report.

NOMINATION COMMITTEE

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

Responsibilities

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

Criteria for selection of Directors

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

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 18 Oxford Close Leederville, Western Australia 6007 Australia.

SHAREHOLDING

The distribution of members and their holdings of equity securities in the Company as at 17 September 2010 was as follows:

Category (size of holding)	Fully Paid Ordinary Shares
1- 1,000	387
1,001- 5,000	1,838
5,001- 10,000	1,492
10,001- 100,000	3,170
100,001 – 999,999,999	468
1,000,000,000 and over	0
Total	**7,355**

EQUITY SECURITIES

There are 7,355 shareholders, holding 625,759,256 fully paid ordinary shares.

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

There are 32,592,789 restricted unquoted equity securities held by 1 shareholder. The escrow period is 12 months from date of issue and quotation of these securities will take place at the end of the escrowed period.

The number of ordinary shareholdings held in less than marketable parcels is 1,352.

OPTIONS

The Company currently has no listed or unlisted options on issue.

VOTING RIGHTS

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

Options do not carry a right to vote.

SUBSTANTIAL HOLDERS

The names of the substantial shareholders listed in the Company's register as at 17 September 2010 are as follows:

	Fully paid ordinary shareholders	Number	% of held Issued Capital
1	African Minerals Limited	118,162,723	18.88
2	Antony William Paul Sage	34,590,430	5.53

TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest fully paid ordinary shareholders as at 17 September 2010 are as follows:

	Name	Number of Fully Paid Ordinary Shares Held	% held of Issued Capital
1	AFRICAN MINERALS LIMITED	118,162,723	18.88
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	41,020,857	6.56
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	38,221,742	6.11
4	NATIONAL NOMINEES LIMITED	29,708,336	4.75
5	ANTONY WILLIAM PAUL SAGE	28,840,430	4.61
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <CW A/C>	22,465,473	3.59
7	CITICORP NOMINEES PTY LIMITED	17,860,571	2.85
8	ANZ NOMINEES LIMITED <CASH INCOME A/C>	11,267,395	1.80
9	PAN AUSTRALIAN NOMINEES PTY LIMITED	9,439,892	1.51
10	HKT AU PTY LTD <MORAMBA SERV SUPER PLAN A/C>	5,714,309	0.91
11	OKEWOOD PTY LTD	5,500,000	0.88
12	MR DAVID MAURICE HODSON	5,000,000	0.80
13	RENERGY PTY LTD	4,338,108	0.69
14	GANBARU PTY LTD <THE PARRISH SUPER FUND A/C>	4,169,465	0.67
15	MATTHEW PARRISH PTY LTD <THE PARRISH FAMILY A/C>	3,408,215	0.54
16	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	3,349,493	0.54
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <A/C 3>	3,188,938	0.51
18	MR KENWARD ELMSLIE	2,525,000	0.40
19	HARBOUR NOMINEES PTY LTD <SL A/C>	2,209,755	0.35
20	QUEENSLAND INVESTMENT CORPORATION	2,066,120	0.33
		358,456,822	**57.28**

SCHEDULE OF MINERAL TENEMENTS HELD AT BALANCE SHEET DATE

Tenement	State	Tenement Name
E47/1493-I	WA	Cape Lambert South
E47/1760-I	WA	Cape Lambert Marine
EL26302	NT	Glasshouse 1
EL26303	NT	Glasshouse 2
EL26304	NT	Glasshouse 3
EL26305	NT	Glasshouse 4
EL26307	NT	Glasshouse 5
EL26308	NT	Glasshouse 6
EL26309	NT	Glasshouse 7
EL26310	NT	Glasshouse 8
EL26311	NT	Glasshouse 9
EL26312	NT	Glasshouse 10
EL26314	NT	Glasshouse 11
EL26701	NT	Glasshouse 12
EL26702	NT	Glasshouse 14
EL26703	NT	Glasshouse 13
EL26928	NT	Tobermory
EPM15687	QLD	Glenorm 4
EPM15688	QLD	Glenorm 12
EPM15690	QLD	Glenorm 2
EPM15691	QLD	Glenorm 11
EPM15692	QLD	Glenorm 3
EPM15693	QLD	Glenorm 10
EPM15694	QLD	Glenorm 9
EPM15695	QLD	Glenorm 5
EPM15696	QLD	Glenorm 7
EPM15697	QLD	Glenorm 13
EPM15698	QLD	Glenorm 6
EPM15699	QLD	Glenorm 15
EPM15700	QLD	Glenorm 8
EPM15701	QLD	Glenorm 16
EPM15702	QLD	Glenorm 14
EPMA16607	QLD	West Isa 1
EL09/6	Sierra Leone	Rokel
NLC850	Greece	Sappes
E2008-75	Republic of Congo	Mayoko

  

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