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

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 2009

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

DIRECTORS

Antony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

COMPANY SECRETARY

Eloise von Puttkammer

REGISTERED OFFICE

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LEEDERVILLE WA 6007
Telephone: (08) 9388 0744   Facsimile: (08) 9382 1411

AUDITORS

PricewaterhouseCoopers
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PERTH WA 6000
Telephone: (08) 9238 3000   Facsimile: (08) 9238 3999

SHARE REGISTRAR

Computershare Investor Services
Level 2, 45 St George's Terrace
PERTH WA 6000
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STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Perth, Western Australia)
Code: CFE

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

DIRECTORS REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2009.

DIRECTORS

The names of Directors who held office during or since the end of the half-year are set out below. Directors were in office for this entire period unless otherwise stated.

Antony Sage
Timothy Turner
Brian Maher

REVIEW OF RESULTS AND OPERATIONS

Principal Activity

The principal activity of Cape Lambert Resources ("Cape Lambert" or the "Company") during the half-year was mineral investment, exploration and evaluation.

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

Review of Operations

The half-year ending 31 December 2009 continued to be a productive period for the Company with a number of transactions completed, leaving it with a multi commodity and geographically diverse portfolio of mineral assets and investments. To reflect the diversity of its portfolio, the Company, following shareholder approval, changed its name from Cape Lambert Iron Ore Limited to Cape Lambert Resources Limited.

The main focus during the half-year was the integration of the assets acquired from the CopperCo group in late June 2009 into the broader Cape Lambert group. These assets include the Lady Annie oxide copper mine in Queensland, the high-grade Sappes gold project in Greece, and a 25% interest in the high-grade, lead-zinc-silver Lady Lorreta project, also located in Queensland.

In respect to Lady Annie, the project was kept on care and maintenance during the half-year with approximately 927 tonnes of copper cathode recovered from inventory to realise US$5.5 million. Exploration planning began with the assessment and ranking of near mine and regional targets. The Company endeavoured to sell down its interest in Lady Annie via an initial public offering ("IPO") of Q Copper Australia Limited with the appointment of Patersons Securities Limited as Lead Manager. In December 2009, the IPO closing date was extended to 3 February 2010 and the minimum raising reset to $164.5 million. 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 the Lady Annie project for $135 million to China Sci-Tech Holdings Limited, a Hong Kong listed Company.

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

- Scrip takeover bid for Corvette Resources Limited ("Corvette") resulting in the Company ultimately controlling 46.5% of Corvette's issued capital. 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,

- Entered in to a conditional agreement to acquire 100% of the Marampa iron ore project located in Sierra Leone, West Africa for an all scrip consideration, which was subsequently approved by Shareholders on 25 January 2010,

- Converted a $28 million convertible note into an approximate 26.2% interest in Pinnacle Group Assets Ltd ("Pinnacle"). Pinnacle has coal and iron ore prospects in Sierra Leone, West Africa,
- Converted a $2 million convertible note in African iron ore explorer, DMC Mining Limited (ASX: DMM) ("DMC Mining"), which, together with the exercise of 5 million DMC options, enabled the Company to acquire a 36% interest in DMC Mining. DMC Mining is currently drill testing its Mayoko iron ore project, which has a published 1 billion tonne target size (refer to the DMM ASX announcement dated 12 January 2010),
- 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, and
- Disposed of non-core shareholdings in Herencia Resources plc and Charaat Gold Holdings Ltd realising approximately $2.5 million.

During the half-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 25% 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 introducing 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 consolidated entity made a profit after income tax for the half-year ended 31 December 2009 of $144,352 (2008: profit of $166,482,671).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2009:

- The Company disposed of its non-core shareholding in Platmin Limited to realise approximately $25 million,
- The parcels of securities in Tianshan Goldfields Limited and Fe Limited (formerly Buka Gold Limited) that remained under the control of the Receiver and Manager of CopperCo Limited were sold, realising $1.9 million for the Company,
- Following shareholder approval, the Company issued 32,592,789 shares (valued at approximately $17 million) to African Minerals Limited to complete the acquisition of 100% of Marampa Iron Ore Limited,
- Acquired shares to the value of $1 million pursuant to a capital raising carried out by Niplats Australia Limited, increasing the Company's interest from 37.59% to 39.25%,
- The merger of Tianshan Goldfields Limited and Corvette Resources Limited completed in February 2010 with Cape Lambert retaining a 32% interest in the merged entity (renamed Corvette Resources Limited, ASX code CVX),
- The Company increased its interest in Pinnacle Group Assets Limited from 26.2% to 35% at no cost, and
- Executed a formal agreement to sell the Lady Annie project for $135 million to China Sci-Tech Holdings Limited, a Hong Kong listed Company.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half year ended 31 December 2009.

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

Antony Sage
Director

Dated this 16th day of March 2010

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Auditor's Independence Declaration

As lead auditor for the review of Cape Lambert Resources Limited (formerly Cape Lambert Iron Ore Limited) for the half year ended 31 December 2009, I declare that, to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

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

N Henry

Nick Henry
Partner
PricewaterhouseCoopers

Perth
16 March 2010

CAPE LAMBERT RESOURCES LIMITED
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AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 31 December 2009 $	31 December 2008 $
Continuing Operations			
Revenue	2	**8,786,827**	8,284,584
Other income	3	**18,074,000**	25,807
Net gain on sale of tenements	4	**-**	232,667,721
Production costs		**(7,707,785)**	-
Share based payments expense		**(3,498,392)**	(1,647,483)
Employee benefits expenses		**(1,001,687)**	(1,939,343)
Consulting expenses		**(6,120,340)**	(1,405,487)
Occupancy expenses		**(549,289)**	(192,375)
Compliance and regulatory expenses		**(277,517)**	(136,985)
Travel and accommodation		**(541,883)**	(236,759)
Share registry maintenance		**(233,236)**	(99,684)
Dimunition in fair value of financial assets through profit & loss		**-**	(1,656,690)
Depreciation and amortisation expense		**(144,202)**	(39,629)
Finance costs		**(253,461)**	-
Loss on disposal of associate		**(1,525,846)**	-
Loss on disposal of financial assets		**(665,809)**	-
Other expenses		**(3,080,250)**	(317,617)
Discount on acquisition of business combination	12	**637,774**	-
Share of net profits of associates accounted for using the equity method		**(2,144,836)**	-
Profit/(Loss) from continuing operations before income tax		**(245,932)**	233,306,060
Income tax benefit / (expense)		**390,284**	(66,823,389)
Profit/(Loss) from continuing operations after income tax		**144,352**	166,482,671
Other comprehensive income net of tax			
Foreign exchange differences arsing on translation of foreign operations		**(1,125,699)**	-
Total comprehensive income / (loss) for the period		**(981,347)**	166,482,671
Profit/(Loss) from continuing operations after income tax attributable to:			
Members of Cape Lambert Resources Limited		**144,352**	166,482,671
Non controlling interests		**-**	-
		144,352	166,482,671
Total comprehensive (loss)/income attributable to:			
Members of Cape Lambert Resources Limited		**(981,347)**	166,482,671
Non controlling interests		**-**	-
		(981,347)	166,482,671
Basic profit/(loss) per share (cents per share)		**0.0269**	36.42
Diluted profit/(loss) per share (cents per share)		**0.0252**	30.69

The accompanying notes form part of this financial report.

CAPE LAMBERT RESOURCES LIMITED
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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2009 $	30 June 2009 $
CURRENT ASSETS			
Cash and cash equivalents		**34,542,979**	74,058,703
Restricted cash		**4,567,698**	5,657,334
Trade and other receivables	6	**14,495,839**	49,906,564
Inventories		**-**	4,421,135
		53,606,516	134,043,736
Assets classified as held for sale	11	**86,556,904**	-
TOTAL CURRENT ASSETS		**140,163,420**	134,043,736
NON-CURRENT ASSETS			
Trade and other receivables	6	**5,212,345**	5,748,502
Financial assets at fair value through profit & loss	7	**57,460,229**	36,528,153
Entities accounted for using the equity method	9	**51,587,219**	38,384,711
Restricted cash		**13,520,337**	10,812,629
Plant and equipment		**937,651**	8,919,387
Exploration and evaluation and expenditure	8	**144,756,751**	154,679,278
TOTAL NON-CURRENT ASSETS		**273,474,532**	255,072,660
TOTAL ASSETS		**413,637,952**	389,116,396
CURRENT LIABILITIES			
Trade and other payables		**20,712,542**	23,298,792
Borrowings		**-**	15,870,860
Provisions		**5,230**	-
Current tax liabilities		**24,427,624**	24,434,549
Deferred income		**36,822**	36,822
		45,182,218	63,641,023
Liabilities directly associated with assets classified as held for sale	11	**39,911,054**	-
TOTAL CURRENT LIABILITIES		**85,093,272**	63,641,023
NON-CURRENT LIABILITIES			
Provisions		**52,909**	11,922,606
Borrowings		**2,282,537**	2,991,074
Deferred tax liability		**19,701,351**	41,671,096
TOTAL NON-CURRENT LIABILITIES		**22,036,797**	56,584,776
TOTAL LIABILITIES		**107,130,069**	120,225,799
NET ASSETS		**306,507,883**	268,890,597
EQUITY			
Issued capital	10	**148,061,695**	126,016,077
Reserves		**3,191,519**	4,386,526
Retained earnings		**138,632,346**	138,487,994
Parent interests		**289,885,560**	268,890,597
Non-controlling interests		**16,622,323**	-
TOTAL EQUITY		**306,507,883**	268,890,597

The accompanying notes form part of this financial report.

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

STATEMENT OF CHANGES IN EQUITY

	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	-	144,352	-	-	-	144,352
Other comprehensive income						
Foreign exchange differences arising on translation of foreign operations	-	-	-	(1,125,699)	-	(1,125,699)
Total comprehensive income for the half-year	-	144,352	-	(1,125,699)	-	(981,347)
Transactions with owners in their capacity as owners						
Acquisition of controlled entity	-	-	-	(8)	16,622,323	16,622,315
Share based payments – shares issued as purchase consideration (notes 9, 10)	18,477,926	-	-	-		18,477,926
Share-based payments – shares issued to directors, employees and consultants	3,498,392	-	-	-		3,498,392
Expired options	69,300	-	(69,300)	-		-
Transactions with equity holders in their capacity as equity holders	22,045,618	-	(69,300)	(8)	16,622,323	38,598,633
Balance at 31 December 2009	**148,061,695**	**138,632,346**	**4,317,226**	**(1,125,707)**	**16,622,323**	**306,507,883**

The accompanying notes form part of this financial report.

STATEMENT OF CHANGES IN EQUITY

	Issued Capital $	Retained earnings $	Share Based Payment Reserve $	Total $
Balance at 1 July 2008	82,008,254	(21,551,046)	15,458,304	75,915,512
Profit attributable to members	-	166,482,671	-	166,482,671
Other comprehensive income				
Total comprehensive income for the half-year	82,008,254	144,931,625	15,458,304	242,398,183
Value of options issued to consultants (note 10)	-	-	2,107,540	2,107,540
Shares issued during the period (notes 9, 10)	15,840,000	-	-	15,840,000
Option conversions (note 10)	53,849,298	-	(12,490,677)	41,358,621
Tax effect of capital raising costs	(166,719)	-	-	(166,719)
Capital return to shareholders (note 15)	(31,349,454)	-	-	(31,349,454)
Dividends paid to shareholders (note 15)	-	(68,968,800)	-	(68,968,800)
Transactions with equity holders in their capacity as equity holders	38,173,125	(68,968,800)	(10,383,137)	(41,178,812)
Balance at 31 December 2008	**120,181,379**	**75,962,825**	**5,075,167**	**201,219,371**

The accompanying notes form part of this financial report.

CAPE LAMBERT RESOURCES LIMITED
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INTERIM FINANCIAL REPORT
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STATEMENT OF CASH FLOWS

	For the six months ended	
	31 December 2009 $	31 December 2008 $
CASHFLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of GST)	**6,431,042**	-
Payments to suppliers and employees (inclusive of GST)	**(15,053,298)**	(34,563,356)
Interest and bill discounts received	**2,848,739**	5,148,654
Interest paid	**(103,918)**	-
Receipts – other	**86,401**	25,807
Net cash used in operating activities	**(5,791,034)**	(29,388,895)
CASHFLOWS FROM INVESTING ACTIVITIES		
Payment for acquiring interest in associated entity	**(1,841,954)**	(6,988,236)
Proceeds on disposal of interest in associated entity	**587,843**	-
Payments for exploration and evaluation	**(2,178,765)**	(1,453,847)
Purchase of property, plant and equipment	**(848,599)**	(4,647)
Payment of stamp duty in relation to asset acquisitions	**(2,675,502)**	-
Cash balances acquired on acquisition of controlled entities	**735,674**	-
Payment for environmental bonds	**(5,475,866)**	-
Release of restricted cash on return of Receivers guarantees	**2,000,000**	-
Release of restricted cash on retirement of Receiver and Manager of controlled entities	**1,242,000**	-
Proceeds on disposal of restricted securities by Receiver and Manager	**535,873**	-
Payment on subscription to convertible loan notes	**(5,900,000)**	-
Purchase of equity investments	**(6,697,310)**	(1,948,382)
Proceeds from sale of equity investments	**2,078,185**	-
Proceeds from sale of tenements	**-**	315,000,000
Loans to non-associated entities	**-**	(22,940,500)
Net cash (used in)/provided by investing activities	**(18,438,421)**	281,664,388
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	**793,500**	-
Repayment of borrowings	**(15,416,569)**	-
Capital return paid to Shareholders	**-**	(31,349,454)
Dividend paid to Shareholders	**-**	(68,968,800)
Proceeds from issues of equity securities	**-**	41,358,620
Net cash (used in)/provided by financing activities	**(14,623,069)**	(58,959,634)
Net (decrease) increase in cash and cash equivalents	**(38,852,524)**	193,315,859
Cash and cash equivalents at beginning of period	**74,058,703**	16,137,185
Cash and cash equivalents at end of period*	**35,206,179**	209,453,044

*includes cash balances included within assets classified as held for sale
The accompanying notes form part of this financial report.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

This general purpose interim financial report for the half-year ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2009 and any public announcements made by Cape Lambert Resources Limited and its controlled entities during the half-year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001*.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

Significant Accounting Policies

Apart from the changes in accounting policies noted below, these interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2009.

Changes in Accounting Policies

From 1 July 2009 the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 July 2009.

- AASB 8 – Operating Segments

This standard requires disclosure of the Company's operating segments and replaces the requirement to determine primary and secondary reporting segments. Adoption of this standard did not have any impact on the financial position or performance of the Company.

- AASB 101 – Presentation of Financial Statements (Revised)

The revised standard introduces the requirement to produce a Statement of Comprehensive Income that presents all items of recognized income and expense.

- AASB 2009-2 – Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments

The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs. Adoption of this standard did not have any impact on the financial position or performance of the Company.

- AASB 127 – Consolidated and Separate Financial Statements and changes made by AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the Company's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the consolidated group.

The standard also specifies the accounting treatment to be adopted when control is lost. Any remaining interest in the entity is to be remeasured to fair value and a gain or loss is recognised in profit or loss. The Company will in future allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.
Dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are to be recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the entity's previous policy, these dividends would have been deducted from the cost of the investment.

1. BASIS OF PREPARATION (continued)

Changes in Accounting Policies(continued)

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as none of the non-controlling interests have a deficit balance. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity, no transactions with non-controlling interests and no dividends paid out of pre-acquisition profits.

- AASB 3 – Business Combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.
All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Company'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.

The Company has not elected to early adopt any new standards or amendments.

	Consolidated	
	31 December 2009 $	**31 December 2008 $**
2. REVENUE		
Copper sales	**6,431,042**	-
Interest	**2,307,193**	8,284,584
Other	**48,592**	-
	8,786,827	8,284,584

	Consolidated 31 December 2009 $	Consolidated 31 December 2008 $
3. OTHER INCOME		
Gain on fair value of financial assets through profit and loss	**13,794,688**	-
Gain on disposal of financial assets	**2,500**	-
Gain on conversion of convertible note	**2,245,573**	-
Gain on receipt of call option	**1,792,675**	-
Foreign currency gains	**169,838**	-
Other	**68,726**	25,807
	18,074,000	25,807
4. NET GAIN ON SALE OF TENEMENTS		
Sale of tenements to MCC	**-**	232,667,721
	-	232,667,721

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

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

5. 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's operating segments consist of mineral exploration and investing.

	Mineral Exploration		Investing		Total	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**	**31 December 2009**	**31 December 2008**
	$	**$**	**$**	**$**	**$**	**$**
Segment result	**(7,994,480)**	162,363,764	**8,138,832**	4,118,907	**144,352**	166,482,671
Segment assets	**269,157,486**	24,900,679	**144,480,466**	240,597,397	**413,637,952**	265,498,076

6. TRADE AND OTHER RECEIVABLES

	31 December 2009 $	30 June 2009 $
Trade and other receivables – current		
Loans to unlisted entities[1]	**10,175,650**	44,088,449
Loans to ASX-listed entities	**3,500,000**	2,370,070
Accrued interest receivable	**299,174**	2,807,323
GST recoverable and other debtors	**377,573**	535,502
Prepayments	**143,442**	105,220
	14,495,839	49,906,564
Trade and other receivable – non current		
Loans to unlisted entities[2]	**2,400,000**	2,240,000
Loans to ASX-listed entities[3]	**2,812,345**	3,500,000
Other	**-**	8,502
	5,212,345	5,748,502

[1] Current loans to unlisted entities at 31 December 2009 includes the following amounts owing from CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) ("CopperCo"):

- an amount of $6,250,000 which is expected to be repaid prior to 30 June 2010 on settlement of the deferred consideration relation to the Lady Annie project;
- an amount of $1,685,649 which is the fair value of equity securities in Fe Limited (formerly Buka Gold Limited) and Corvette Resources Limited (formerly Tianshan Goldfields Limited) which were subject to ASIC Takeover Panel restrictions at the time Cape Lambert acquired a 100% interest in Mineral Securities Limited from CopperCo. Cape Lambert is entitled to, and has subsequently received, the proceeds on disposal of the securities by the Receiver and Manager.

[2] During the period the Company advanced an amount of $2,400,000 in the form of a convertible loan note which bears interest at the rate of 12% per annum. The conversion option embedded in the loan note allows the Company to convert the outstanding principal and any accrued interest balance at a conversion rate which results in the Company holding a 10% interest in the borrower's share capital post conversion. Given that the borrower is an unlisted entity, the fair value of the conversion option cannot be reliably measured. Accordingly, a nil value has been assigned to the conversion option. This loan is due for repayment on 26 August 2011 or such other date as agreed by the parties to the convertible note.

[3] Non current loans to ASX listed entities includes the following amounts in relation to convertible notes that were subscribed to during the period:

	Interest rate	Option conversion price	Fair value of loan at inception	Fair value of conversion option at inception
Loan note of $1,500,000	10%	$0.425	1,020,822	479,178
Loan note of $2,000,000	12%	$0.300	1,693,841	306,159
			2,714,663	785,337
Interest receivable recognised using the effective interest rate			238,312	-
Interest received at the coupon rate			(140,630)	-
Loss on fair value of options through profit and loss			-	(148,737)
Carrying value at 31 December 2009			**2,812,345**	**636,600**

6. TRADE AND OTHER RECEIVABLES (continued)

[3]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.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT & LOSS

	31 December 2009 $	30 June 2009 $
Shares in listed entities	**47,028,242**	26,153,119
Shares in unlisted entities	**8,360,000**	5,160,000
Conversion options[1]	**636,600**	4,706,715
Call options[2]	**1,435,387**	508,319
	57,460,229	36,528,153

[1] During the period the Company advanced $3,500,000 to ASX listed entities in the form of convertible loans. At inception, the conversion 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. Refer to note 6 for further details.

[2] During the period the Company received options in ASX listed entities as a result of having provided 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. 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.

8. EXPLORATION AND EVALUATION EXPENDITURE

	6 Months to 31 December 2009 $	Year Ended 30 June 2009 $	6 Months to 31 December 2008 $
Exploration and evaluation phases – at cost			
Movement in carrying amounts			
Brought forward	**154,679,278**	28,000	28,000
Exploration and evaluation expenditure capitalised during the period	**1,178,764**	5,510,621	1,766,929
Exploration assets acquired as part of a business combination	**-**	149,211,719	-
Exploration assets acquired as part of asset acquisitions	**63,807,559**	-	-
Reclassified as held-for-sale	**(74,908,850)**	-	-
Exploration assets sold during the year	**-**	(71,062)	-
Total exploration and evaluation phases	**144,756,751**	154,679,278	1,794,929

9. INVESTMENT IN ASSOCIATED ENTITIES

	31 December 2009 $	30 June 2009 $
Shares in associates accounted for using the equity method	**51,587,219**	38,384,711
The carrying amounts are comprised as follows		
Balance at beginning of period	**38,384,711**	-
Acquisition of additional shares in associate	**146,426**	
Interest in associate acquired on conversion of convertible loan	**29,822,200**	
Issue of shares to acquire interest in associate	**5,263,823**	20,770,000
Provision of feasibility study funding	**-**	6,921,260
Fair value of interest in associate acquired as part of a business combination / asset acquisition	**5,100,000**	11,547,782
Fair value of interest in associate acquired on conversion of convertible loan and exercise of options	**5,000,000**	-
Share of losses of associates during the period	**(2,144,836)**	-
Interest in associate disposed of during the period	**(2,293,845)**	-
Interest in associate transferred to controlled entities during the period	**(27,691,260)**	
Impairment loss	**-**	(854,331)
	51,587,219	38,384,711

The carrying amounts of the investments in associates were assessed for impairment at 31 December 2009 and no impairment provisions have been considered necessary.

10. SECURITIES ISSUED DURING THE PERIOD

	Ordinary fully paid shares	
	Number	**$**
Shares on issue at 1 July 2009	523,797,213	126,016,077
Shares issued as purchase consideration for associate under takeover bid (a)	5,825,807	2,912,905
Share based payment to directors, employees and consultants	6,996,784	3,498,392
Shares issued as purchase consideration for controlled entity (b)	3,976,729	2,147,380
Shares issued as purchase consideration for increased shareholding in Marampa Iron Ore Ltd (c)	24,569,934	13,417,641
Transfer from share based payments reserve	-	69,300
Shares on issue at 31 December 2009	565,166,467	148,061,695

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

(b) On 25 November 2009, the Company issued 3,976,729 ordinary fully paid 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 ordinary fully paid shares to African Minerals Limited as the first tranche of shares issued as purchase consideration for the acquisition of Marampa Iron Ore Limited.

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

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 and the minimum raising reset to $164.5 million. 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 major classes of assets and liabilities of Cape Lambert Lady Annie Exploration Pty Ltd at 31 December 2009 are as follows:

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

	$
Assets	
Cash and cash equivalents	663,200
Trade and other receivables	525,992
Inventory	224,441
Restricted cash	1,209,151
Property, plant and equipment	9,025,270
Capitalised exploration and evaluation costs	74,908,850
Assets classified as held for sale	86,556,904
Liabilities	
Trade and other payables	(1,121,445)
Provisions for employee benefits	(180,291)
Borrowings	(4,238,865)
Provision for rehabilitation	(11,922,606)
Deferred tax liability	(22,447,847)
Liabilities directly associated with assets classified as held for sale	(39,911,054)
Net assets classified as held for sale	46,645,850

12. DISCOUNT ON ACQUISITION OF BUSINESS COMBINATION

As disclosed in the 30 June 2009 annual report, two wholly owned subsidiaries of the Company, Cape Lambert Minsec Pty Ltd and Cape Lambert Lady Annie Exploration Pty Ltd, entered into agreements with CopperCo Limited (In Liquidation) (Receivers and Managers Appointed) to purchase 100% of the shares of Mineral Securities Limited (Share Subscription and Sale Agreement) and the tenements and assets associated with the Lady Annie Mine located in Mt Isa, Queensland (Asset Sale Agreement). The Share Subscription and Sale Agreement contained a condition precedent requiring all conditions to completion of the Asset sale Agreement having been fulfilled. A similar condition precedent was contained in the Asset Sale Agreement. Accordingly, the two agreements were accounted for as a single business combination.

The agreements completed on 29 June 2009 and a provisional discount on acquisition arose when comparing the assessment of the acquired identifiable assets, liabilities and contingent liabilities to the cost of the acquisition, and was recognised in the Company's statutory net profit for the year ended 30 June 2009.

The provisional discount on acquisition has been adjusted in the current period upon finalisation of the fair value procedures which produced fair values which were different to those provisionally determined. The adjustment to the provisional discount recorded in the current period was an increase to the discount of $637,774 arising from an increase in the amount of identifiable net assets acquired.

13. CONTINGENT LIABILITIES

If the Company is successful in receiving the remaining $80,000,000 of sale proceeds from MCC pursuant to the MCC sale agreement, the occurrence of which is contingent on various events transpiring prior to 6 August 2010, this would trigger an obligation of the Company to pay an additional $7,600,000 in contingent commission fees on the sale.

Apart from this, there are no other material contingent liabilities to be disclosed.

14. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 31 December 2009:

- The Company disposed of its non-core shareholding in Platmin Limited to realise approximately $25 million,
- The parcels of securities in Tianshan Goldfields Limited and Fe Limited (formerly Buka Gold Limited) that remained under the control of the Receiver and Manager of CopperCo Limited were sold, realising $1.9 million for the Company,
- Following shareholder approval, the Company issued 32,592,789 shares (valued at approximately $17 million) to African Minerals Limited to complete the acquisition of 100% of Marampa Iron Ore Limited,
- Acquired shares to the value of $1 million pursuant to a capital raising carried out by Niplats Australia Limited, increasing the Company’s interest from 37.59% to 39.25%,
- The merger of Tianshan Goldfields Limited and Corvette Resources Limited completed in February 2010 with Cape Lambert retaining a 32% interest in the merged entity (renamed Corvette Resources Limited, ASX code CVX),
- The Company increased its interest in Pinnacle Group Assets Limited from 26.2% to 35% at no cost, and
- Executed a formal agreement to sell the Lady Annie project for $135 million to China Sci-Tech Holdings Limited, a Hong Kong listed Company.

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2009

DIRECTORS' DECLARATION

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

In the opinion of the directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

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

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

This declaration is made in accordance with a resolution of the Board of Directors.

Antony Sage
Director

Dated this 16th day of March 2010

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Independent auditor's review report to the members of Cape Lambert Resources Limited (formerly Cape Lambert Iron Ore Limited)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Cape Lambert Resources Limited, which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Cape Lambert Resources Limited Group (the consolidated group). The consolidated entity comprises both Cape Lambert Resources Limited (the Company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cape Lambert Resources Limited Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2009 included on Cape Lambert Resources Limited web site. The company's directors are responsible for the integrity of the Cape Lambert Resources Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

Independence

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

Conclusion

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

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

Henry.

Nick Henry
Partner

Perth
16 March 2010