CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Consolidated Financial Report
For The Half-Year Ended
31 December 2011

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2011

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2011

CORPORATE DIRECTORY

ABN

71 095 047 920

DIRECTORS

Antony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Brian Maher
(Non-Executive Director)

Ross Levin
(Non-Executive Director)

COMPANY SECRETARY

Claire Tolcon

REGISTERED OFFICE

18 Oxford Close
LEEDERVILLE WA 6007
Telephone: (08) 9388 9555 Facsimile: (08) 9388 9666

AUDITORS

PricewaterhouseCoopers
QV1 Building
Levels 19 – 21, 250 St George's Terrace
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
Telephone: (08) 9323 2000   Facsimile: (08) 9323 2033

STOCK EXCHANGE LISTING

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

DIRECTORS REPORT

Your Directors submit the financial report of Cape Lambert Resources Limited ("Cape Lambert" or "Company") and its controlled entities (together the "Consolidated Entity") for the half-year ended 31 December 2011.

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
Ross Levin

COMPANY SECRETARY

Claire Tolcon

REVIEW OF RESULTS AND OPERATIONS

Principal Activity

The principal activity of the Consolidated Entity 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

Corporate

During the half-year ended 31 December 2011, Cape Lambert completed a number of significant transactions including:

- The acquisition of the remaining 9.8% of Pinnacle Group Assets Limited ("Pinnacle") on 9 September 2011. The consideration paid for the remaining 9.8% comprised $5,000,000 in cash and the issue of 20,672,189 shares in the Company. No further obligations remain in respect of the Pinnacle acquisition.
- Satisfaction of the deferred component of the consideration payable for the 42.8% stake in Pinnacle acquired in the prior year. On 1 December 2011, the Company issued 35,937,000 shares in lieu of a cash payment of $16,335,000.
- Completing the sale of the Sappes Gold Project ("Sappes") to ASX listed Glory Resources Limited (ASX: GLY) ("Glory"). Pursuant to the terms of the sale agreement, the Company received $32,500,000 cash in satisfaction of loan amounts and 16,000,000 shares in Glory. In addition, the Company is entitled to receive $5,000,000 in cash or Glory shares, at the election of the Company, on the granting of an operating permit (or equivalent) for Sappes, and $5,000,000 in cash or Glory shares, at the election of the Company, upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper concentrate and/or silver metal) from Sappes.
- On 20 September 2011, the Company announced that it intended to pursue an initial public offering ("IPO") of Marampa Iron Ore Limited ("Marampa") and a listing on the AIM market of the London Stock Exchange. The capital raising will enable the Company to sell down to an approximate 25% interest in Marampa whilst retaining a production royalty and will also provide Marampa with new money for the completion of a definitive feasibility study, commencement of pre-construction activities and general working capital. Subsequent to 31 December 2011, the Company has revisited the IPO of Marampa and its current aim (subject to continuing appetite in capital markets) is to successfully complete that process by the end of the financial year.

DIRECTORS REPORT

Project information

As at 31 December 2011, the Company's key projects were as follows:

- Marampa Iron Ore Project ("Marampa" or "Marampa Project") located in Sierra Leone;
- Leichhardt Copper Project ("Leichhardt") located northeast of Mt Isa;
- Kukuna Iron Ore Project ("Kukuna") located in Sierra Leone;
- Sandenia Iron Ore Project ("Sandenia") located in the Republic of Guinea;
- Rokel Iron Ore Project ("Rokel") located in Sierra Leone;
- A granted Northern Territory and Queensland land package of approximately 10,500km^2 held by Australis Exploration Limited ("Australis") which is prospective for rock phosphate; and the
- Mojo Project ("Mojo") located south of Mt Isa prospective for large Mt Isa style base metal deposits under younger cover rocks.

The following milestones were achieved during the half-year ended 31 December 2011:

<u>Marampa</u>

- JORC mineral resources at Marampa were increased by 245% to 680Mt at 28.2% Fe. This mineral resource is estimated to a depth of only -200mRL (approximately 200 to 250m below surface) and only covers approximately 60% of the known mineralised strike, and therefore has exploration upside for further resource growth.
- A 10Mtpa scoping study ("Scoping Study") was completed in September 2011 which was based on a two staged project development with Stage 1 mining and processing the softer oxide ores at a planned rate of 2.5Mtpa of concentrate production. The Stage 2 expansion increases production to 10Mtpa within 18 months of commissioning Stage 1, resulting in a 22 year mine life based on the current 680Mt mineral resource.
- The Scoping Study confirmed that the Marampa Project has robust financial metrics with an ungeared (100% equity) after tax $NPV_{10\%}$ of US$1 billion, an internal rate of return of 34% and after tax cash flows of US$2.86 billion.

<u>Leichhardt Copper Project</u>

- Encouraging results were received from bottle roll leach tests on the Mt Watson transitional ore with copper recoveries ranging from 58% to 75%.
- Confirmatory leach testing of Mt Watson oxide ores achieved excellent copper recoveries ranging from 80% to 92% in bottle roll tests.
- Compilation and validation of the large historical exploration and mineral resource data sets for Leichhardt was completed, and identification and prioritization of oxide copper targets within trucking distance of the Leichhardt process plant was commenced.

<u>Kukuna</u>

- The first phase of drilling at Kukuna was completed in November 2011. This program totalled 14,500m in 68 inclined diamond drill holes and was focused on testing the Wongkifu and Kondekhuri prospects in the south and central areas of the exploration licence.
- The iron mineralisation at Kukuna is present as a fine-medium grained (0.1 to 2mm) platy specular hematite, similar to that at the Marampa Project to the south. It is expected that the iron mineralisation at Kukuna will be amenable to the proven Wet High Intensity Magnetic Separation ("WHIMS") beneficiation flow sheet developed for Marampa.

Sandenia

- Regional mapping and sampling completed by SRK Consulting (Australasia) Limited identified seven exploration targets with an aggregate strike length of >20km containing weathered and fresh magnetite Banded Iron Formation and confirmed in-situ grades of up to 48.5%.
- Detailed prospect mapping was completed on the priority targets at Sandenia in mid-2011.
- Drill testing of priority targets is expected to commence in the second half of the financial year once a suitable drilling contractor is engaged.

Rokel

- Processing and interpretation of regional high resolution magnetic and radiometric airborne survey data identified several potential targets under thin cover, analogous to the Marampa and Kukuna deposits. Geological mapping and sampling, and an Induced Polaristaion ground geophysical survey has defined a north-trending linear anomaly striking over 7km at Kumrabai. Rock chip sampling of laterite clasts of hematite schist has returned grades of 39.1% - 57.7% Fe.

Australis Exploration Limited

- A field reconnaissance of rock phosphate targets of the Northern Territory licences was conducted late in December 2011. The targets were defined by interpretation of remote sensed data and regional geology focusing on the Georgina basin margin and interbasinal highs.

Mojo Project

- A high resolution, ground gravity geophysical survey comprising 4,086 measurement stations covering approximately 630km^2 was completed in October 2011. This survey was designed to more accurately define the depth to basement to further elucidate drill targets for scout lithostratigraphic drilling planned for 2012.

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

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

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.

Result

The Consolidated Entity made a profit after income tax for the half-year ended 31 December 2011 of $2,385,612 (2010: loss of $17,546,489).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2011:

- On 11 January 2012, Exxaro Australia Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro"), made a takeover offer of all the shares and listed options in African Iron Limited (ASX: AKI) ("African Iron") ("Takeover Offer"). Pursuant to the terms of the Takeover Offer, Exxaro offered $0.51 cash for each African Iron share and varied the Takeover Offer to increase the offer price to $0.57 per African Iron share on 27 February 2012 subsequent to acquiring a relevant interest in over 75% of African Iron shares.. The Company has accepted the Takeover Offer in respect of all African Iron shares that it holds (totalling 126,700,000 shares, representing 25.25% of African Iron) which will generate cash proceeds of approximately $72,219,000 (based on $0.57 per African Iron share). The company expects to recognise a pre-tax gain on sale of African Iron of approximately $45,201,795.

- On 9 March 2011, the Company received 40,000,000 shares in Chameleon Mining NL ("Chameleon") in lieu of a fee payable pursuant to the Alliance Agreement entered into between Cape Lambert and Chameleon in August 2010. Cape Lambert is now the largest shareholder in Chameleon holding 13.7% of the issued capital of Chameleon.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2011.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 6 for the half -year ended 31 December 2011.

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

Antony Sage
Director

Dated this 15th day of March 2012

Auditor's Independence Declaration

As lead auditor for the review of Cape Lambert Resources Limited for the half year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
15 March 2012

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CAPE LAMBERT RESOURCES LIMITED
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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six 31 December 2011 $	months ended 31 December 2010 $
Continuing Operations			
Revenue	3a	**1,620,985**	1,989,591
Other income	3b	**23,546,531**	13,313,604
Share based payments expense		**(537,595)**	(797,277)
Directors remuneration and employee benefits expenses		**(1,560,171)**	(975,666)
Consulting expenses		**(6,711,680)**	(2,856,586)
Occupancy expenses		**(513,088)**	(666,653)
Compliance and regulatory expenses		**(167,553)**	(247,366)
Travel and accommodation		**(496,823)**	(404,193)
Share registry maintenance		**(45,559)**	(87,406)
Depreciation and amortisation expense		**(195,500)**	(208,894)
Foreign currency loss		**-**	(496,528)
Finance costs		**(34,936)**	(10,659)
Loss on fair value of financial assets through profit and loss		**(5,436,517)**	(1,579,221)
Other expenses		**(1,766,416)**	(2,099,518)
Impairment of loans receivable		**(91,472)**	-
Share of net losses of associates accounted for using the equity method	8b	**(607,743)**	(5,919,055)
Impairment of investments in associates	8e	**(1,281,289)**	-
Loss on extinguishment of debt		**(1,094,445)**	-
Loss on disposal of financial assets	6c	**-**	(179,071)
Impairment of capitalised exploration		**-**	(36,452,961)
Profit /(loss) from continuing operations before income tax		**4,626,729**	(37,677,859)
Income tax benefit /(expense)		**(2,241,117)**	20,131,370
Profit/(loss) from continuing operations after income tax		**2,385,612**	(17,546,489)
Other comprehensive income/(expenditure) net of tax			
Foreign exchange differences arising on translation of foreign operations		**(2,297,168)**	(95,267)
Foreign exchange differences on translation of foreign operations released on disposal of controlled entities		**283,256**	-
Share of reserves of associate accounted for using the equity method		**(268,506)**	28,042
Total comprehensive income/(loss) for the period		**103,194**	(17,613,714)
Profit/(loss) from continuing operations after income tax attributable to:			
Members of Cape Lambert Resources Limited		**2,385,612**	(17,546,489)
Non controlling interests		**-**	-
		2,385,612	(17,546,489)
Total comprehensive income/(loss) attributable to:			
Members of Cape Lambert Resources Limited		**103,194**	(17,613,714)
Non controlling interests		**-**	-
		103,194	(17,613,714)
Basic earnings/(loss) per share (cents per share)		**0.3675**	(2.8549)
Diluted earnings/(loss) per share (cents per share)		**0.3675**	(2.8549)

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2011 $	30 June 2011 $
CURRENT ASSETS			
Cash and cash equivalents	14	**36,977,397**	43,096,285
Restricted cash	4	**516,295**	544,240
Trade and other receivables	5	**10,911,250**	8,235,536
Inventories		**190,701**	150,113
Assets classified as held for sale	11	**87,711,101**	-
TOTAL CURRENT ASSETS		**136,306,744**	52,026,174
NON-CURRENT ASSETS			
Restricted cash	4	**2,536,498**	3,082,372
Trade and other receivables	5	**-**	1,175,761
Other financial assets	6	**35,224,875**	30,325,436
Entities accounted for using the equity method	8	**37,981,819**	38,109,367
Plant and equipment		**3,210,540**	2,870,627
Exploration and evaluation and expenditure	7	**157,284,316**	242,987,407
TOTAL NON-CURRENT ASSETS		**236,238,048**	318,550,970
TOTAL ASSETS		**372,544,792**	370,577,144
CURRENT LIABILITIES			
Trade and other payables		**5,644,178**	22,864,528
Provisions		**29,283**	887,457
Current tax liabilities		**2,870,542**	2,870,542
Deferred income		**26,647**	14,652
Liabilities directly associated with the assets classified as held for sale	11	**3,357,153**	**-**
TOTAL CURRENT LIABILITIES		**11,927,803**	26,637,179
NON-CURRENT LIABILITIES			
Provisions		**4,192,025**	2,349,210
Deferred tax liability		**4,971,930**	5,547,955
TOTAL NON-CURRENT LIABILITIES		**9,163,955**	7,897,165
TOTAL LIABILITIES		**21,091,758**	34,534,344
NET ASSETS		**351,453,034**	336,042,800
EQUITY			
Issued capital	9	**196,600,776**	167,528,846
Reserves		**(2,619,970)**	728,772
Retained earnings		**157,472,228**	155,086,616
Parent interests		**351,453,034**	323,344,234
Non-controlling interests		**-**	12,698,566
TOTAL EQUITY		**351,453,034**	336,042,800

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Retained earnings	Share Based Payment Reserve	Foreign Currency Translation Reserve	Transactions with non-controlling interest Reserve	Non-controlling interests	Total
	$	$	$	$	$	$	$
Balance at 1 July 2011	167,528,846	155,086,616	1,828,484	(1,099,712)	-	12,698,566	336,042,800
Loss for the year	-	2,385,612	-	-		-	2,385,612
Other comprehensive income							
Share of associate's share based payments reserve	-	-	(184,348)	-		-	(184,348)
Share of associate's foreign currency translation reserve	-	-	-	(84,158)		-	(84,158)
Foreign exchange differences arising on translation of foreign operations	-	-	-	(2,297,168)		-	(2,297,168)
Foreign exchange differences on translation of foreign operations released on disposal of controlled entities	-	-	-	283,256		-	283,256
Total comprehensive income for the half-year	-	2,385,612	(184,348)	(2,098,070)		-	103,194
Transactions with owners in their capacity as owners							
Issue of shares as consideration of non controlling interests	9,302,485				(1,603,919)	(12,698,566)	(5,000,000)
Issue of shares in settlement of deferred purchase consideration	17,429,445	-	-	-	-	-	17,429,445
Issue of shares upon exercise of options	2,340,000	-	-	-		-	2,340,000
Share based payments expense	-	-	537,595	-		-	537,595
Transactions with equity holders in their capacity as equity holders	29,071,930	-	537,595	-	(1,603,919)	(12,698,566)	15,307,040
Balance at 31 December 2011	**196,600,776**	**157,472,228**	**2,181,731**	**(3,197,782)**	**(1,603,919)**	**-**	**351,453,034**

The accompanying notes form part of this financial report.

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2011

CONSOLIDATED 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 2010	177,603,225	166,932,887	167,308	(1,458,768)	10,128,214	353,372,866
Loss for the year	-	(17,546,489)	-	-	-	(17,546,489)
Other comprehensive income						
Share of associate's reserve	-	-	28,042	-	-	28,042
Foreign exchange differences arising on translation of foreign operations	-	-	-	(95,267)	-	(95,267)
Total comprehensive income for the half-year	-	(17,546,489)	28,042	(95,267)	-	(17,613,714)
Transactions with owners in their capacity as owners						
Acquisition of controlled entity	-	-	-	-	(10,128,214)	(10,128,214)
Share based payments expense	-	-	797,277	-	-	797,277
Share reduction via on-market buy back	(6,152,889)	-	-	-	-	(6,152,889)
Transactions with equity holders in their capacity as equity holders	(6,152,889)	-	797,277	-	(10,128,214)	(15,483,826)
Balance at 31 December 2010	**171,450,336**	**149,386,398**	**992,627**	**(1,554,035)**	**-**	**320,275,326**

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 2011

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 31 December 2011 $	31 December 2010 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(13,809,589)**	(9,783,097)
Interest received		**806,670**	2,176,653
Interest and other finance costs paid		**(34,936)**	(10,659)
Receipts – other		**91,525**	77,563
Income tax paid		**-**	(1,611,935)
Net cash used in operating activities		**(12,946,330)**	(9,151,475)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interest in associated entity	8b	**(2,029,990)**	(7,148,940)
Proceeds on disposal of interest in associated entity		**-**	17,996,041
Payments for exploration and evaluation		**(13,903,229)**	(8,467,151)
Purchase of property, plant and equipment		**(906,813)**	(529,424)
Payment of restricted cash balances in relation to environmental bonds / performance bonds		**(15,837)**	(3,880,639)
Release of restricted cash balances in relation to environmental bonds / performance bonds		**581,590**	178,750
Purchase of equity investments		**(7,320,379)**	(9,341,957)
Proceeds from sale of equity investments		**2,000,000**	9,944,554
Loans to associated entity		**(1,026,000)**	(2,101,685)
Cash balances disposed of on disposal of controlled entity		**(92,720)**	-
Repayment of loans received		**32,660,660**	-
Payments relating to assets classified as held for sale		**-**	(3,994,660)
Purchase of call options		**-**	(60,506)
Payments pursuant to business combinations		**-**	(39,019,058)
Loans to related entities		**-**	(12,340)
Funds transferred to trust account		**-**	(6,500,000)
Proceeds on repayment of loans		**-**	7,927,499
Net cash provided by / (used in) investing activities		**9,947,282**	(45,009,516)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of equity securities		**2,340,000**	-
Purchase of non-controlling interest		**(5,000,000)**	-
On market buy back		**-**	(6,152,889)
Dividend paid to Shareholders		**-**	(43,803,183)
Net cash provided by / (used in) financing activities		**(2,660,000)**	(49,956,072)
Net decrease in cash and cash equivalents		**(5,659,048)**	(104,117,063)
Cash and cash equivalents at beginning of period		**43,096,285**	135,709,067
Foreign exchange difference		**69,734**	-
Cash and cash equivalents at end of period	14	**37,506,971**	31,592,004

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

This general purpose condensed financial report for the half-year ended 31 December 2011 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 2011 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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2015)
AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Consolidated Entity's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. In the current reporting period, the Consolidated Entity recognised nil of such losses in other comprehensive income.

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

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

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

Impact of standards issued but not yet applied by the entity (continued)

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

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

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

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

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

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective 1 July 2012)
In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from 1 July 2012.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) and Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (effective 1 January 2014 and 1 January 2013 respectively)
In December 2011, the IASB made amendments to the application guidance in IAS 32 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the group's current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into IFRS 7 which will apply from 1 January 2013. The AASB is expected to make equivalent changes to IAS 32 and AASB 7 shortly. When they become applicable, the group will have to provide a number of additional disclosures in relation to its offsetting arrangements. The group intends to apply the new rules for the first time in the financial year commencing 1 July 2013.

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

Impact of standards issued but not yet applied by the entity (continued)

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

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

Significant estimates and judgments

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In addition to the areas disclosed in the most recent financial report, the estimates and assumptions that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities are discussed below.

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 31 December 2011, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.

2. 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.

The following table presents revenue and profit information for reportable segments for the half-years ended 31 December 2011 and 31 December 2010.

	Mineral Exploration		**Other**		**Total**	
	31 December 2011	**31 December 2010**	**31 December 2011**	**31 December 2010**	**31 December 2011**	**31 December 2010**
	$	**$**	**$**	**$**	**$**	**$**
Revenue						
Interest revenue	**829,381**	747,230	**737,108**	1,114,989	**1,566,489**	1,862,219
Rental revenue	**-**	-	**53,365**	125,152	**53,365**	125,152
Other revenue	**-**	-	**1,131**	2,220	**1,131**	2,220
Total segment revenue	**829,381**	747,230	**791,604**	1,242,361	**1,620,985**	1,989,591
Result						
Segment result	**6,151,901**	(15,152,917)	**(3,766,289)**	(2,393,572)	**2,385,612**	(17,546,489)
Reconciliation of segment net profit after tax to net profit/loss after tax						
Income tax expense / (benefit)					**2,241,117**	(20,131,370)
Net profit before tax per the statement of comprehensive income					**4,626,729**	(37,677,859)

	Mineral Exploration		**Other**		**Total**	
Assets	**31 December 2011**	**30 June 2011**	**31 December 2011**	**30 June 2011**	**31 December 2011**	**30 June 2011**
Segment assets	**357,101,106**	351,855,944	**15,443,686**	18,721,200	**372,544,792**	370,577,144

	31 December 2011 $	31 December 2010 $
3. PROFIT/(LOSS) FROM OPERATIONS		
(a) Revenue		
Interest	**1,566,489**	1,862,219
Rental revenue	**53,365**	125,152
Other	**1,131**	2,220
	1,620,985	1,989,591
(b) Other income		
Gain on sale of controlled entities	**19,649,881**	-
Gain on settlement of loans	**1,016,310**	-
Gain on disposal of financial assets	**750,000**	2,078,577
Gain on receipt of call option	**825,576**	67,060
Foreign currency gains	**1,279,731**	-
Gain on disposal of associate	**-**	8,621,099
Gain on recognition of deferred consideration	**-**	2,500,000
Other	**25,033**	46,868
	23,546,531	13,313,604
(c) Disclosure of tax effect relating to each component of other comprehensive income		
Share of reserves of associates accounted for using the equity method	**-**	-
Exchange differences on translating foreign operations	**-**	-
4. RESTRICTED CASH		
Current		
Term deposits	**516,295**	544,240
	516,295	544,240
Non current		
Term deposits	**2,536,498**	3,082,372
	2,536,498	3,082,372

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

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

The term deposits are not readily accessible by Cape Lambert.

5. TRADE AND OTHER RECEIVABLES

	31 December 2011 $	30 June 2011 $
Trade and other receivables – current		
Trade debtors	**184,309**	307,087
GST recoverable and other debtors	**450,849**	699,720
Prepayments	**260,004**	166,770
Interest receivable	**954,162**	754,311
Deferred consideration receivable	**2,500,000**	2,500,000
Loans to unlisted entities (a)	**2,484,021**	2,400,000
Loans to ASX-listed entities (b)	**5,987,746**	3,226,017
Provision for impairment of loans (including interest receivable) (c)	**(3,022,497)**	(2,931,025)
Funds in trust	**1,112,656**	1,112,656
	10,911,250	8,235,536
Trade and other receivable – non current		
Loans to ASX-listed entities (b)	**-**	1,175,761
	-	1,175,761

(a) Loans to unlisted entities are made up as follows:

- An amount of $2,400,000 (30 June 2011: 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.

- Receivables amounting to $84,021 for costs incurred on behalf of unlisted entities that will be reimbursed.

5. TRADE AND OTHER RECEIVABLES (continued)

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

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

	Interest rate	Carrying value of loans	
		31 December 2011	30 June 2011
		$	$
Current			
Amount drawdown from $2,000,000 loan facility (i)	7.6%	**1,026,000**	-
Convertible loan note of $2,000,000 (ii)	12%	**1,693,841**	1,693,841
Convertible loan note of $2,000,000 (ii)	10%	**1,098,667**	1,098,667
Convertible loan note of $1,500,000 (ii)	10%	**1,020,822**	-
Fair value of loans at inception		**4,839,330**	2,792,508
Interest receivable recognised using the effective interest rate		**2,152,772**	922,057
Interest received at the coupon rate		**(1,004,356)**	(488,548)
Current carrying value at amortised cost at balance date		**5,987,746**	3,226,017
Non current			
Convertible loan note of $1,500,000 (ii)	10%	**-**	1,020,822
Fair value of loans at inception		**-**	1,020,822
Interest receivable recognised using the effective interest rate		**-**	446,309
Interest received at the coupon rate		**-**	(291,370)
Non current Carrying value at amortised cost at balance date		**-**	1,175,761

(i) In June 2011, the Company entered into a $2,000,000 standby facility agreement (“Facility”) with Fe Limited in which Cape Lambert holds a 19.9% interest. Pursuant to the terms of the Facility, Fe Limited will have access to $2,000,000, and any amounts drawn down will be payable in full 18 months from the date of execution of the Facility agreement. Interest is payable on the amounts drawn down under the facility at the cash rate plus 3%. Any funds received by Fe Limited from sales of assets or capital raisings must first be used to reduce funds drawn down under the facility.

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

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

The recoverability of loans provided to ASX-listed and unlisted entities (including interest receivable) have been assessed for impairment as at 31 December 2011. A provision for impairment of $3,022,497 has been recognised in respect of a loan and accumulated interest that was due for repayment in August 2011 but remains outstanding as at the date of this report. The impairment provision recognised in the current period is $91,472.

6. OTHER FINANCIAL ASSETS

	31 December 2011 $	30 June 2011 $
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities	**21,419,163**	17,725,237
Conversion options (a)	**4,449**	57,809
Call options (b)	**601,263**	342,390
	22,024,875	18,125,436
Financial Assets Available-for-sale		
Shares in unlisted entities (d)	**13,200,000**	12,200,000
Total Financial Assets	**35,224,875**	30,325,436

(a) Conversion options

At inception, the conversion options and call options within convertible loan note agreements are fair valued using a Black-Scholes Option Pricing Model. The fair values of the options are recognised as financial assets at fair value through profit and loss. Subsequent to their initial recognition, the conversion options are measured at fair value, with any gains or losses being recognised in the statement of comprehensive income. Details are summarised below:

31 December 2011

	Interest rate	Option conversion price	Fair value of loan at inception[4] $	Fair value of conversion option at inception $
Loan note of $1,500,000	10%	$0.50[1]	1,020,821	479,179
Loan note of $2,000,000	10%	$0.20[2]	1,098,667	901,333
Loan note of $2,000,000	12%	$0.30[3]	1,693,841	306,159
			3,813,329	1,686,671
Loss on fair value of options through profit and loss subsequently recognised				(1,682,222)
Carrying value at 31 December 2011				**4,449**

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

6. OTHER FINANCIAL ASSETS (CONTINUED)

(a) Conversion options (continued)

30 June 2011

	Interest rate	Option conversion price	Fair value of loan at inception[4] $	Fair value of conversion option at inception $
Loan note of $1,500,000	10%	$0.50[1]	1,020,821	479,179
Loan note of $2,000,000	10%	$0.20[2]	1,098,667	901,333
Loan note of $2,000,000	12%	$0.30[3]	1,693,841	306,159
			3,813,329	1,686,671
Loss on fair value of options through profit and loss subsequently recognised				(1,628,862)
Carrying value at 30 June 2011				**57,809**

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

(b) Call options

Call options in ASX listed entities 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:

31 December 2011

No. of call options received	Call option exercise price	Call option expiry date	Fair value of call options at inception $	Accumulated gain / (loss) on fair value of options through profit and loss $	Fair value of call options at 31 December 2011 $
10,000,000	$0.20	24/02/2012	691,655	(691,655)	**-**
1,583,334	$0.45	31/10/2012	74,670	(71,998)	**2,672**
4,400,000	$0.30	31/03/2013	52,896	298,861	**351,757**
2,000,000	$0.15	08/08/2012	19,335	(10,683)	**8,652**
20,000,000	$0.06	31/12/2012	779,076	(587,394)	**191,682**
1,500,000	$0.20	30/11/2014	46,500	-	**46,500**
			1,664,132	(1,062,869)	**601,263**

6. OTHER FINANCIAL ASSETS (CONTINUED)

(b) Call options

30 June 2011

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

(c) Conversion and call options exercised during the year

31 December 2011

No conversion or call options were exercised during the half year ended 31 December 2011.

30 June 2011

During the year ended 30 June 2011, a $3,500,000 loan note provided to an ASX listed company was repaid. In addition, the Company exercised the 35 million options it received pursuant to the loan note agreement and subsequently sold the shares. The loss on disposal was recognised in the Statement of Comprehensive Income. Details are as follows:

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

(d) Shares in unlisted entities

Investments in unlisted entities are classified as available for sale financial assets. These investments are traded in inactive markets and are carried at cost because their fair values cannot be reliably measured. Management have assessed theses investments for impairment and no indicators of impairment exist as at 31 December 2011.

7. EXPLORATION AND EVALUATION EXPENDITURE

	Note	6 Months to 31 December 2011 $	Year ended 30 June 2011 $	6 Months to 31 December 2010 $
Exploration and evaluation phases – at cost		**157,284,316**	242,987,407	132,370,128
Movement in carrying amounts				
Brought forward		**242,987,407**	200,148,822	200,148,822
Exploration and evaluation expenditure capitalised		**15,746,043**	20,653,956	8,473,375
Exploration assets acquired through a business combination		**-**	8,305,185	-
Exploration assets acquired		**-**	128,568,958	8,305,185
Exploration assets sold during the year (a)		**(14,600,000)**	(78,098,068)	-
Exploration expenditure impaired during the year (b)		**-**	(36,591,446)	(36,452,961)
Reclassified as held-for-sale	11	**(86,849,134)**	-	(48,104,293)
Total exploration and evaluation phases		**157,284,316**	242,987,407	132,370,128

The value of the exploration expenditure is dependent upon:

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

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

(a) Exploration assets sold

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

(b) Impairment

Management have assessed impairment and no indicators of impairment exist as at 31 December 2011.

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

8. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2011 $	30 June 2011 $
Investments in associates accounted for using the equity method	**37,981,819**	38,109,367

(a) Investment details

Listed	Percentage held at balance date 31 Dec 2011	 30 June 2011		
International Goldfields Limited	28.7%	28.7%	**8,704,966**	8,900,326
Fe Limited	19.9%[1]	19.9%	**1,172,428**	2,068,991
Cauldron Energy Limited	18.39%[1]	19.9%	**1,087,220**	1,336,437
African Iron Limited (i)	25.25%	25.0%	**27,017,205**	25,803,613
			37,981,819	38,109,367

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

(i) On 11 January 2012, Exxaro Australia Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro"), made a takeover offer of all the shares and listed options in African Iron Limited (ASX: AKI) ("African Iron") ("Takeover Offer"). Pursuant to the terms of the Takeover Offer, Exxaro offered $0.51 cash for each African Iron share and varied the Takeover Offer to increase the offer price to $0.57 per African Iron share on 27 February 2012 subsequent to acquiring a relevant interest in over 75% of African Iron shares.. The Company has accepted the Takeover Offer in respect of all African Iron shares that it holds (totalling 126,700,000 shares, representing 25.25% of African Iron) which will generate cash proceeds of approximately $72,219,000 (based on $0.57 per African Iron share). The company expects to recognise a pre-tax gain on sale of African Iron of approximately $45,201,795.

(j) **8. INVESTMENTS IN ASSOCIATED ENTITIES (CONTINUED)**

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

	31 December 2011 $	30 June 2011 $
Balance at beginning of period	**38,109,367**	66,785,069
Acquisition of shares in associates	**2,029,990**	21,682,681
Fair value of interest in associate acquired as consideration on disposal of controlled entity	**-**	27,047,432
Share of losses of associates recognised during the year	**(607,743)**	(7,847,148)
Share of reserves of associates recognised during the year	**(268,506)**	831,975
Interest in listed shares transferred to interest in associate	**-**	4,951,654
Interest in associate disposed of during the period	**-**	(5,578,900)
Interest in associate transferred to controlled entities during the period	**-**	(65,344,338)
Impairment loss (e)	**(1,281,289)**	(4,419,058)
	37,981,819	38,109,367

(c) Fair value of investments in listed associates

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

	31 December 2011 $	30 June 2011 $
International Goldfields Limited	**5,242,768**	7,700,315
Fe Limited[1]	**1,172,428**	2,068,991
Cauldron Energy Limited[1]	**1,859,508**	1,859,508
African Iron Limited	**44,978,500**	28,800,000

(d) Summarised financial information

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

	31 December 2011 $	30 June 2011 $
Extract from statement of financial position at 100%:		
Assets	**206,981,891**	199,125,045
Liabilities	**18,512,932**	19,121,709
Extract from statement of comprehensive income at 100%:		
Revenue	**1,163,416**	9,340,116
Net Profit / (Loss)	**2,090,176**	(27,638,798)

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.

8. INVESTMENTS IN ASSOCIATED ENTITIES (CONTINUED)

(e) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 31 December 2011. The market prices of some investments were below the carrying value of the investments held by the Company for a prolonged period of time. As a result, the recoverable amount has been measured at fair value less cost to sell. Impairment losses of $1,281,289 have been recognised.

9. ISSUED CAPITAL

	31 December 2011 $	30 June 2011 $
688,108,792 fully paid ordinary shares (30 June 2011: 626,299,603)	**196,600,776**	167,528,846

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	
31 December 2011	**Number**	**$**
Shares on issue at 1 July 2011	626,299,603	167,528,846
Shares issued as part consideration for the purchase of non controlling interests (a)	20,672,189	9,302,485
Shares issued in settlement of deferred consideration for the purchase of controlled entity (b)	35,937,000	17,429,445
Shares issued on exercise of unlisted options (c)	5,200,000	2,340,000
Shares on issue at 31 December 2011	**688,108,792**	**196,600,776**

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

(b) On 1 December 2011, the Company satisfied the deferred component of the consideration for 42.8% stake in Pinnacle acquired in the prior year. The Company issued 35,937,000 shares in lieu of a cash payment of $16,335,000. No further obligations remain in respect of the acquisition of 100% of Pinnacle.

(c) During the six months ended 31 December 2011, 5,200,000 shares were issued on exercise of 5,200,000 unlisted options.

9. ISSUED CAPITAL (CONTINUED)

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

(a) On 10 February 2011, 150,000 shares were issued on the exercise of 150,000 unlisted options.
(b) On 22 February 2011, the Company completed the on-market share buy-back. A total amount of $31,921,879 was paid to buy-back 54,059,653 ordinary shares. Shares that have been bought back by the Company have been cancelled.
(c) On 16 June 2011, the Company issued 54,450,000 to acquire a 42.8% interest in Pinnacle Group Assets Limited ("Pinnacle"), which increased its interest to 90.2%.

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

On 20 September 2011, the Company announced that it intended to pursue an initial public offering ("IPO") of Marampa Iron Ore Limited ("Marampa") and a listing on the AIM market of the London Stock Exchange. The capital raising will enable the Company to sell down to an approximate 25% interest in Marampa whilst retaining a royalty in the Marampa Project and will also provide Marampa with new money for the completion of a definitive feasibility study, commencement of pre-construction activities and general working capital. The timing with proceeding with the IPO remains subject to market conditions. Subsequent to 31 December 2011, the Company has ramped up the IPO of Marampa and its current aim is to successfully complete that process by the end of the financial year.

The major classes of assets and liabilities of Marampa as at 31 December 2011 are as follows:

	$
Assets	
Cash and cash equivalents	529,574
Trade and other receivables	75,839
Property, plant and equipment	256,554
Capitalised exploration and evaluation costs	86,849,134
Assets classified as held for sale	87,711,101
Liabilities	
Trade and other payables	(382,232)
Provisions	(129,204)
Deferred tax liability	(2,845,717)
Liabilities directly associated with assets classified as held for sale	(3,357,153)
Net assets classified as held for sale	84,353,948

12. CONTINGENT ASSETS AND LIABILITIES

There have been no material movements to the contingent asset and contingent liabilities disclosed within the Annual Report for the year ended 30 June 2011 other than the following:

On 17 December 2011, the sale of the Sappes Gold Project ("Sappes") to ASX listed Glory Resources Limited (ASX: GLY) ("Glory") completed. Pursuant to the terms of the sale agreement, the Company received $32,500,000 cash in satisfaction of loan amounts and 16,000,000 shares in Glory. In addition, the Company is entitled to receive $5,000,000 in cash or Glory shares, at the election of the Company, on the granting of an operating permit (or equivalent) for Sappes, and $5,000,000 in cash or Glory shares, at the election of the Company, upon the sale of the first 1,000oz of gold (or gold equivalent in the case of copper concentrate and/or silver metal) from Sappes.

A taxation audit is currently being conducted by the Australian Taxation Office ("ATO") in respect of the tax return submitted by the Company for the 2009 income year. The Company is not able to reliably measure the financial impact, if any, resulting from the audit. A notice of amended assessment has not been received from the ATO. The Company anticipates that the taxation audit will be concluded by the time the Company is required to file its 30 June 2012 annual report.

13. EVENTS SUBSEQUENT TO REPORTING DATE

The following significant events and transactions have taken place subsequent to 31 December 2011:

On 11 January 2012, Exxaro Australia Investments Pty Ltd, a wholly owned subsidiary of Exxaro Resources Limited ("Exxaro"), made a takeover offer of all the shares and listed options in African Iron Limited (ASX: AKI) ("African Iron") ("Takeover Offer"). Pursuant to the terms of the Takeover Offer, Exxaro offered $0.51 cash for each African Iron share and has confirmed that it will vary the Takeover Offer to increase the offer price to $0.57 per African Iron share if Exxaro acquires a relevant interest in at least 75% of African Iron shares. The Company has accepted the Takeover Offer in respect of all African Iron shares that it holds (totalling 126,700,000 shares, representing 25.25% of African Iron) which will generate cash proceeds of approximately $72,219,000 (based on $0.57 per African Iron share). The Company expects to recognise a pre-tax gain on sale of African Iron of approximately $45,201,795 calculated as follows:

	$
Proceeds on acceptance of Takeover Offer	72,219,000
Carrying value of investment in African Iron Limited as at 31 December 2011	27,017,205
Gain on sale of investment in African Iron Limited	45,201,795

On 9 March 2011, the Company received 40,000,000 shares in Chameleon Mining NL ("Chameleon") in lieu of a fee payable pursuant to the Alliance Agreement entered into between Cape Lambert and Chameleon in August 2010. Cape Lambert is now the largest shareholder in Chameleon holding 13.7% of the issued capital of Chameleon.

14. NOTE TO THE CASH FLOW STATEMENT

Reconciliation of cash and cash equivalents to Statement of Financial Position

		31 December 2011 **$**
Cash and cash equivalents at end of period per consolidated statement of cash flows		37,506,971
Less: cash and cash equivalents classified as held for sale	11	(529,574)
Cash and cash equivalents per consolidated statement of financial position		36,977,397

Non-cash financing and investing activities

On 9 September 2011, the Company acquired the remaining 9.8% of Pinnacle Group Assets Limited ("Pinnacle"). The consideration paid for the remaining 9.8% comprised $5,000,000 in cash and the issue of 20,672,189 shares in the Company valued at $9,302,485. No further obligations remain in respect of the Pinnacle acquisition.

On 1 December 2011, the Company satisfied the deferred component of the consideration payable for the 42.8% stake in Pinnacle acquired in the prior year. On 1 December 2011, the Company issued 35,937,000 shares valued at $17,429,445 in lieu of a cash payment of $16,335,000.

On 17 December 2011, the Consolidated Entity completed the sale of the Sappes Gold Project ("Sappes") to ASX listed Glory Resources Limited (ASX: GLY) ("Glory"). Pursuant to the terms of the sale agreement, the Company received $32,500,000 cash in satisfaction of loan amounts and 16,000,000 shares in Glory valued at $3,440,000.

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2011

DIRECTORS' DECLARATION

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 2011 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements.

(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.

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

Antony Sage
Director

Dated this 15th day of March 2012

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cape Lambert Resources Limited, which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Cape Lambert Resources Limited Group (the consolidated entity). 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 of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

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 2011 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, 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. 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.

Independence

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

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Independent auditor's review report to the members of Cape Lambert Resources Limited (cont'd)

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 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 2011 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

N Henry

Nick Henry
Partner

Perth
15 March 2012