CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2013

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

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2013

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2013

CORPORATE DIRECTORY

ABN

71 095 047 920

DIRECTORS

Tony Sage
(Executive Chairman)

Timothy Turner
(Non-Executive Director)

Jason Brewer – appointed effective 1 January 2014
(Non-Executive Director)

Brian Maher– resigned effective 31 December 2013
(Non-Executive Director)

Ross Levin
(Non-Executive Director)

COMPANY SECRETARY

Claire Tolcon – resigned effective 31 January 2014

Melissa Chapman – appointed effective 31 January 2014

REGISTERED OFFICE

32 Harrogate Street
WEST LEEDERVILLE WA 6007
Telephone: (08) 9388 9555 Facsimile: (08) 9388 9666

AUDITORS

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000
Telephone: (08) 9429 2222 Facsimile: (08) 9429 2436

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 2013.

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.

Tony Sage
Timothy Turner
Jason Brewer – appointed effective 1 January 2014
Brian Maher – resigned effective 31 December 2013
Ross Levin

COMPANY SECRETARY

Claire Tolcon – resigned effective 31 January 2014
Melissa Chapman – appointed effective 31 January 2014

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

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

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

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

  On 26 November 2013, the Company announced that MCC transferred the disputed sum of $80,000,000 into an escrow account held with the National Australia Bank, as directed by the arbitrator.

- In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. Cannaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back. During the six months ended 31 December 2013, the Company bought back 11,753,055 shares for a total consideration of $1,583,345. At conclusion of the on market buy-back on 2 January 2014, the Company had bought back 21,169,905 shares for a total consideration of $3,019,421.

- On 22 November 2013, the Company announced that an application for a Large Scale Mining Licence (Mining Licence) has been lodged for its 100% owned Marampa Iron Ore project located in Sierra Leone, West Africa.

- On 24 December 2013, the Company announced that it had finalised and executed a binding Infrastructure Agreement for its 100%-owned Marampa Iron Ore project in Sierra Leone, West Africa. The Infrastructure Agreement grants Marampa access rights to transport and export 2Mwtpa (equivalent to 1.8Mtpa dry) of iron concentrate via African Minerals' existing Pepel rail and port infrastructure (refer to ASX announcement date 16 April 2012). Additionally, African Minerals also has an option to purchase 2Mwtpa of Marampa concentrate at mine gate for the first three (3) years of production.

Project information

As at 31 December 2013, the Company's key projects were as follows:

- Marampa Iron Ore Project ("Marampa" or "Marampa Project") located in Sierra Leone;
- Rokel Iron Ore Project ("Rokel") located in Sierra Leone;
- Cote D'Ivoire Gold Project ("Cote D'Ivoire") located in Cote D'Ivoire;
- Sandenia Iron Ore Project ("Sandenia") located in the Republic of Guinea;
- Kukuna Iron Ore Project ("Kukuna") located in Sierra Leone;

The following milestones were achieved during the half-year ended 31 December 2013:

Marampa

- A large Scale Mining Licence application was finalised and lodged with the National Minerals Authority during Q4 2013. The licence is expected to be granted during Q1 or early Q2 2014.
- The Company finalised and executed a binding Infrastructure Agreement for the Marampa Project with AIM listed African Minerals Limited (AIM: AMI) ("African Minerals") during Q4. The agreement grants Marampa access rights to transport and export 2Mwtpa (wet – equivalent to 1.8Mtpa dry) of iron concentrate via African Minerals' existing Pepel rail and port infrastructure. Additionally, African Minerals has an option to purchase 2Mwtpa of Marampa concentrate at mine gate for the first three (3) years of production.

Rokel

- Exploration focussed on tenements in the south east of the group targeting mineralisation associated with the extension of an interpreted thrust fault contact between basement granite gneiss units and Marampa Group rocks. This is the same structure with which mapped mineralisation in the Kumrabai and Bumbe prospects along strike to the north is associated.
- Mapping has identified in-situ highly weathered undifferentiated schist of the Marampa Group as well as numerous float rocks of the same lithology in the vicinity of the interpreted thrust fault contact trend. This reconnaissance exploration has exposed significant potential for large scale iron mineralisation to exist much further south than previously anticipated.
- Continued low impact, low cost reconnaissance exploration is planned for H1 2014, following up additional interpreted thrust fault contacts along both the eastern and western edges of the tenement package.

Cote D'Ivoire

- The Company is targeting large primary in-situ gold occurrences.
- Work commenced on planning and budgeting for a first pass exploration program including a preliminary aeromagnetic survey over the three (3) granted tenements. Work is expected to begin during H1 2014.

Sandenia

- Anecdotal evidence of artisanal gold mining near the northern lease boundary led to an investigation into the potential for gold mineralisation to exist within the lease area. Field mapping and sampling to investigate potential gold hosts occurred throughout H2 2013.
- A consolidation and assessment of data available for the Sandenia lease is planned for Q1 2014.

Kukuna

- No geological activities were undertaken during the reporting period.

Australis

- All tenements and applications held within Australis were relinquished during Q4 2013.

Mojo Project

- All tenements and applications held within Mojo were relinquished during Q4 2013.

Leichhardt Copper Project

- During Q3 2013, the Company completed the sale of its wholly owned subsidiary Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project. The Company received a total consideration of A$14.75 million plus costs incurred whilst holding the project from 1 May 2013 until completion of the sale. On 20 February 2014, the Company received $5,651,492 of environmental bonds associated with the Leichhardt project.

Competent Person:
The contents of this Report relating to Exploration Results are based on information compiled by Dennis Kruger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Kruger is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Kruger consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

Competent Person:
The contents of this Report relating to Mineral Resources and Ore Reserves are based on information compiled by Olaf Frederickson, a Member of the Australasian Institute of Mining and Metallurgy. Mr Frederickson is a consultant to Cape Lambert and has sufficient experience relevant to the style of mineralisation and the deposit under consideration and to the activity he is undertaking to qualify as a Competent Person, as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Frederickson consents to the inclusion in this report of the matters compiled by him in the form and context in which they appear.

Competent Person:
The information in this Report that relates to Metallurgical Test Results is based on information reviewed and compiled by Mr Mike Wardell-Johnson, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Wardell-Johnson is a consultant to Cape Lambert and has sufficient experience which is relevant to the style of mineralisation and the type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves". Mr Wardell-Johnson consents to the inclusion in this report of the information in the form and context in which it appears.

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 2013 of $2,312,805 (31 December 2012: loss of $12,392,537).

EVENTS SUBSEQUENT TO BALANCE DATE

The following significant events and transactions have taken place subsequent to 31 December 2013:

- On 8 January 2014, the Company announced a second on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. Cannaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back. At the date of this report, the Company had bought back 5,087,048 shares for a total consideration of $553,714.

- On 8 February 2013, the Company released an announcement advising shareholders that Exxaro Resources Limited (JSE: EXX) ("Exxaro") has been granted a Mining Convention for the Mayoko Iron Ore Project ("Mayoko Project"), which upon production commencement will see Cape Lambert receive significant royalty payments on an ongoing basis. The royalty is equal to US$1 per tonne for every tonne of iron ore shipped from the Mayoko Project (indexed annually to the CPI). Previously, Exxaro had indicated that production from Mayoko is due to commence in H2 2014 at a rate of 30,000 tonnes per month, rising to 2 million tonnes per annum from 2015. From 2019 it is expected that production will be approximately 10 million tonnes per annum.

- On 11 February 2014, the Company released an announcement referring to the recent announcement by Glory Resources Limited (ASX: GLY) ("Glory Resources") by its major shareholder TSX listed Eldorado Gold Corporation (TSX: ELD) ("Eldorado") that the off market takeover offer to acquire Glory Resources remaining shares on issue for A$0.17 per share had gone unconditional. On 20 February 2014, the Company received $6,247,000 in cash which represents that sale of the Company's shareholding in Glory Resources based on 36,750,000 shares at $0.17 per share. Cape Lambert will receive the balance of the consideration, being $6,500,000 for upfront payment in lieu of the Milestone Payments, upon successful completion of the Takeover Offer.

- On 20 February 2014, the Company received $5,651,492 of environmental bonds associated with the Leichhardt project.

- On 26 February 2014 the Company announced that the objections lodged with the ATO in relation to the Amended Assessment have been disallowed. The Company intends to appeal the objection decisions in the Federal Court of Australia. The Company believes that it has a strong defence to the disputed matters and continues to vigorously defend this position.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2013.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 7 for the half -year ended 31 December 2013.

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

Tony Sage
Director

Dated this 6th day of March 2014

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

In relation to our review of the financial report of Cape Lambert Resources Limited for the half-year ended 31 December 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

G H Meyerowitz
Partner
6 March 2014

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CAPE LAMBERT RESOURCES LIMITED
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AND ITS CONTROLLED ENTITIES

INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the six months ended 31 December 2013 $	31 December 2012 $
Revenue	3a	**956,818**	2,077,393
Other income	3b	**6,688,479**	868,323
Share based payments expense		**301,986**	(57,469)
Directors remuneration and employee benefits expenses		**(824,536)**	(1,486,613)
Consulting and professional services expenses		**(2,012,685)**	(1,971,238)
Occupancy expenses		**(431,813)**	(646,541)
Compliance and regulatory expenses		**(152,319)**	(150,981)
Travel and accommodation		**(223,084)**	(238,596)
Depreciation and amortisation expense		**(691,959)**	(607,812)
Finance costs		**-**	(151,990)
Gain / (loss) on fair value of financial assets through profit and loss		**3,602,368**	(5,414,313)
Other expenses		**(688,542)**	(1,233,060)
Impairment of capitalised exploration		**(451)**	(372,377)
Impairment of loans receivable		**(281,500)**	-
Impairment of unlisted investment	6b	**(1,963,331)**	-
Share of net losses of associates accounted for using the equity method	8b	**(1,413,178)**	(2,142,664)
Impairment of investments in associates		**-**	(7,536)
Profit / (loss) before income tax		**2,866,253**	(11,535,479)
Income tax expense		**(553,448)**	(857,058)
Profit / (loss) after income tax		**2,312,805**	(12,392,537)
Other comprehensive income/(expenditure) net of tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange differences arising on translation of foreign operations		**2,308,711**	(2,293,598)
Share of reserves of associate accounted for using the equity method		**232,317**	82,035
Total comprehensive income/(loss) for the period		**4,853,833**	(14,604,100)
Profit/(loss) after income tax attributable to:			
Members of Cape Lambert Resources Limited		**2,312,805**	(12,392,537)
Total comprehensive income/(loss) attributable to:			
Members of Cape Lambert Resources Limited		**4,853,833**	(14,604,100)
Basic profit/(loss) per share (cents per share)		**0.3426**	(1.7983)
Diluted profit/(loss) per share (cents per share)		**0.3426**	(1.7983)

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 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2013 $	As at 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents	16	**14,274,051**	16,915,095
Restricted cash	4	**6,506,863**	6,449,963
Trade and other receivables	5	**13,601,656**	18,413,096
Other financial assets	6	**6,063,750**	-
Assets classified as held for sale	11	**107,968,354**	103,543,712
TOTAL CURRENT ASSETS		**148,414,674**	145,321,866
NON-CURRENT ASSETS			
Other financial assets	6	**6,742,248**	11,072,791
Investments accounted for using the equity method	8	**4,576,161**	3,150,607
Restricted cash	4	**81,833**	81,833
Plant and equipment		**2,335,401**	2,710,683
Exploration and evaluation expenditure	7	**51,695,289**	48,301,425
Prepaid tax	9	**33,395,426**	33,395,426
TOTAL NON-CURRENT ASSETS		**98,826,358**	98,712,765
TOTAL ASSETS		**247,241,032**	244,034,631
CURRENT LIABILITIES			
Trade and other payables		**3,252,193**	3,666,831
Provisions		**464,092**	365,514
Liabilities directly associated with assets held for sale	11	**5,615,694**	4,883,734
TOTAL CURRENT LIABILITIES		**9,331,979**	8,916,079
NON CURRENT LIABILITIES			
Provisions		**946,300**	1,124,301
TOTAL NON CURRENT LIABILITIES		**946,300**	1,124,301
TOTAL LIABILITIES		**10,278,279**	10,040,380
NET ASSETS		**236,962,753**	233,994,251
EQUITY			
Issued capital	10	**194,031,319**	195,614,664
Reserves		**6,720,079**	4,481,037
Retained earnings		**36,211,355**	33,898,550
TOTAL EQUITY		**236,962,753**	233,994,251

The accompanying notes form part of this financial report.

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INTERIM FINANCIAL REPORT
For the Half-Year Ended 31 December 2013

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital $	Retained earnings $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Business Combination Reserve $	Total $
Balance at 1 July 2013	**195,614,664**	**33,898,550**	**1,811,542**	**4,273,414**	**(1,603,919)**	**233,994,251**
Loss for the year	-	2,312,805	-	-	-	2,312,805
Other comprehensive income						
Share of associate’s share based payments reserve	-	-	104,984	-	-	104,984
Share of associate’s foreign currency translation reserve	-	-	-	127,333	-	127,333
Foreign exchange differences arising on translation of foreign operations	-	-	-	2,308,711	-	2,308,711
Total comprehensive income for the half-year	-	2,312,805	104,984	2,436,044	-	4,853,833
Transactions with owners in their capacity as owners						
On market buy back	(1,583,345)	-	-	-	-	(1,583,345)
Share based payments expense during the period	-	-	29,215	-	-	29,215
Share based payments expired during the period	-	-	(331,201)	-	-	(331,201)
Transactions with equity holders in their capacity as equity holders	(1,583,345)	-	(301,986)	-	-	(1,885,331)
Balance at 31 December 2013	**194,031,319**	**36,211,355**	**1,614,540**	**6,709,458**	**(1,603,919)**	**236,962,753**

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 $	Business Combination Reserve $	Total $
Balance at 1 July 2012	**197,050,776**	**177,810,325**	**1,641,973**	**(1,253,731)**	**(1,603,919)**	**373,645,424**
Loss for the year	-	(12,392,537)	-	-	-	(12,392,537)
Other comprehensive income						
Share of associate's share based payments reserve	-	-	(36,121)	-	-	(36,121)
Share of associate's foreign currency translation reserve	-	-	-	118,156	-	118,156
Foreign exchange differences arising on translation of foreign operations	-	-	-	(2,293,598)	-	(2,293,598)
Total comprehensive income for the half-year	-	(12,392,537)	(36,121)	(2,175,442)	-	(14,604,100)
Transactions with owners in their capacity as owners						
Share based payments expense	-	-	57,469	-	-	57,469
Transactions with equity holders in their capacity as equity holders	-	-	57,469	-	-	57,469
Balance at 31 December 2012	**197,050,776**	**165,417,788**	**1,663,321**	**(3,429,173)**	**(1,603,919)**	**359,098,793**

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 2013

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 31 December 2013 $	31 December 2012 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(4,830,911)**	(7,486,408)
Interest received		**535,522**	1,670,719
Interest and other finance costs paid		**(26,783)**	(58,493)
Income tax paid	9	**-**	(16,281,195)
Net cash used in operating activities		**(4,322,172)**	(22,155,377)
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for acquiring interest in associated entity	8b	**(513,751)**	(858,500)
Payments for exploration and evaluation	7a	**(5,516,707)**	(9,761,043)
Purchase of property, plant and equipment		**(67,975)**	(735,184)
Payment of restricted cash balances in relation to environmental bonds / performance bonds		**-**	(3,304,282)
Release of restricted cash balances in relation to environmental bonds / performance bonds		**12,500**	115,104
Purchase of equity investments	6a	**(340,874)**	(684,933)
Loans to associated entity		**(210,000)**	(1,111,000)
Payment on subscription to convertible loan notes		**(2,205,685)**	(1,000,000)
Proceeds received as deferred consideration on sale of prospect	14	**11,503,611**	660,000
Proceeds from sale of equity investments		**246,703**	-
Repayment of loans received		**500,000**	-
Net cash provided by / (used in) investing activities		**3,407,822**	(16,679,838)
CASHFLOWS FROM FINANCING ACTIVITIES			
On-market buy back		**(1,583,345)**	-
Net cash provided by / (used in) financing activities		**(1,583,345)**	-
Net decrease in cash and cash equivalents		**(2,497,695)**	(38,835,215)
Cash and cash equivalents at beginning of period		**17,034,354**	88,411,909
Foreign exchange difference		**7,331**	-
Cash and cash equivalents at end of period	16	**14,543,990**	49,576,694

The accompanying notes form part of this financial report.

1. BASIS OF PREPARATION

General Information

This general purpose condensed financial report for the half-year ended 31 December 2013 has been prepared in accordance with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2013 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 financial 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

Except as noted below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended accounting standards and interpretations

The Company has adopted all Australian Accounting Standards and Interpretations effective from 1 July 2013, including:

Reference	Title
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.**
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities.
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Additional disclosures are included in note 13. **Consequential amendments were also made to other standards via AASB 2011-8.**

Reference	Title
AASB 119	**Employee Benefits** The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. **Consequential amendments were also made to other standards via AASB 2011-10.**

The adoption of new and amended standards and interpretations had no impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new accounting standards and interpretations.

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. Refer to the most recent annual financial report for the year ended 30 June 2013 for a discussion of the significant estimates and judgments.

2. SEGMENT INFORMATION

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

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

	31 December 2013 $	31 December 2012 $
3. PROFIT FROM OPERATIONS		
(a) Revenue		
Interest	**740,381**	1,989,411
Rental revenue	**166,437**	84,996
Other	**50,000**	2,986
	956,818	2,077,393
(b) Other income		
Gain on re-measurement of contingent consideration receivable	**6,500,000**	-
Foreign currency gains	**-**	250,520
Other	**188,479**	617,803
	6,688,479	868,323

4. RESTRICTED CASH	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Current		
Term deposits	**6,506,863**	6,449,963
Movement		
Brought forward	**6,449,963**	652,344
Reclassified as current	**-**	2,391,974
Payment of restricted cash in relation to environmental bonds / performance bonds	**-**	3,444,979
Release of restricted cash in relation to environmental bonds / performance bonds	**(12,500)**	(132,104)
Exchange differences	**69,400**	92,770
	6,506,863	6,449,963
Non current		
Term deposits	**81,833**	81,833

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

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

The Company received $5,651,492 of environmental bonds associated with the Leichhardt project in February 2014.

5. TRADE AND OTHER RECEIVABLES

	31 December 2013 $	30 June 2013 $
Trade and other receivables – current		
Trade debtors	**506,674**	175,778
GST recoverable and other debtors	**203,466**	184,417
Prepayments	**318,915**	223,068
Interest receivable	**472,601**	441,153
Deferred and contingent consideration receivable	**9,000,000**	2,500,000
Loans to ASX-listed entities (a)	**3,100,000**	3,103,569
Proceeds receivable on sale of controlled entity	**-**	10,750,000
Other receivable on sale of controlled entity	**-**	618,611
Other	**-**	416,500
	13,601,656	18,413,096

(a) Current loans to ASX listed entities as follows:

	Interest rate	Carrying value of loans 31 December 2013 $	30 June 2013 $
Current			
Drawdown from $2,000,000 loan facility (i)	7.00%	**2,000,000**	2,000,000
Drawdown from $1,000,000 loan facility (i)	7.00%	**1,000,000**	790,000
Loan of $400,000 (ii)	12.0%	**400,000**	400,000
Loan of $500,000 (iii)	-	**-**	500,000
Convertible loan note of $2,000,000 (v)	12.0%	**1,693,841**	1,693,841
Convertible loan note of $1,000,000 (v)	10.0%	**604,113**	604,113
Convertible loan note of $200,000 (iv)	10.0%	**200,000**	-
Value of loans at inception		**5,897,954**	5,987,954
Interest receivable recognised using the effective interest rate		**1,286,374**	1,182,387
Interest received at the coupon rate		**(584,328)**	(566,772)
Partial repayment of loan note		**(100,000)**	(100,000)
Impairment of receivables		**(3,400,000)**	(3,400,000)
Current carrying value at amortised cost at balance date		**3,100,000**	3,103,569

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

In December 2012, the Company agreed to provide a further loan facility of $1,000,000 to Fe Limited on similar terms to the existing loan facility. As at 31 December 2013, $1,000,000 has been drawn down from this facility.

(ii) In December 2012, the Company advanced $400,000 to Global Strategic Metals NL ("Global"). Interest is payable at 16.0%. In part consideration for the loan agreement, the Company has been issued with 3,200,000 share options in Global Strategic Metals NL exercisable at $0.10 each on or before 31 January 2015. The loan is repayable the earlier of:

a. That day which is five days after receipt of cleared funds of no less than $1,500,000 by Global by way of a debt or equity fundraising;
b. 31 December 2013; and
c. 5 Business Days after the dale on which Global receives a notice from the Lender.

In January 2014, a Deed of Variation was signed to extend the repayment date to 30 June 2014.

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

(iv) In July 2013, the Company advanced $655,685 to Cauldron Energy Limited. In November 2013, the Company converted $655,685 convertible loans (plus $24,431 interest receivable) into 6,042,839 shares in Cauldron Energy Limited.

In November 2013, the Company advanced $200,000 to Cauldron Energy Limited (Cauldron). Interest is payable at 10.0%. The loan is repayable the earlier of:

a. 28 February 2014 (unless extended by mutual agreement);
b. the date upon which the Lender issues a notice.

(v) 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.

(b) An impairment allowance of $3,400,000 was raised as at 30 June 2013 in relation to receivables past due or where there is doubt over the recoverability of the receivable. The recoverability of loans (including interest receivable) have been assessed for impairment as at 31 December 2013. No additional amounts have been considered impaired as at 31 December 2013.

6. OTHER FINANCIAL ASSETS

	31 December 2013 $	30 June 2013 $
Current		
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	**6,063,750**	**-**
Total Current Financial Assets	**6,063,750**	-
Non-current		
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	**3,691,429**	6,039,545
Call options	**14,150**	33,246
	3,705,580	6,072,791
Financial Assets classified as Available-for-sale		
Shares in unlisted entity (b)	**3,036,669**	5,000,000
Total Non-Current Financial Assets	**6,742,248**	11,072,791

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

	6 Months to 31 December 2013 $	Year ended 30 June 2013 $
Brought forward	**6,039,545**	19,127,628
Purchase of equity investments	**340,874**	684,933
Disposal of equity investments	**(246,704)**	-
Reclassification of investment in associate to financial asset at fair value through profit or loss	**-**	1,328,692
Shares in listed entity received upon advance of loan	**-**	160,000
Gain / (loss) on fair value of financial assets through profit and loss	**3,621,464**	(14,024,692)
Reclassification of investment in Glory Resources Limited to current financial asset due to acceptance of takeover which completed in February 2014	**(6,063,750)**	-
Impairment of investments	**-**	(1,237,016)
	3,691,429	6,039,545

(b) Movement in the carrying amount of the shares in unlisted entity

	6 Months to 31 December 2013 $	Year ended 30 June 2013 $
Brought forward	**5,000,000**	7,000,000
Impairment of investments	**(1,963,331)**	(2,000,000)
	3,036,669	5,000,000

6. OTHER FINANCIAL ASSETS (CONTINUED)

(c) Impairment

Investments in unlisted entities are classified as available for sale financial assets. Available for sale financial assets are measured at fair value, or cost where fair value cannot be reliably measured until the investment is disposed of or determined to be impaired, at which time the gain or loss on disposal or the impairment is recognised in the profit or loss. Management have recognised an impairment loss of $1,963,331 ($2,000,000: 30 June 2013) in relation to the unlisted investment during the six months ended 31 December 2013 based on the implied share price of a capital raising conducted by the unlisted investee.

7. EXPLORATION AND EVALUATION EXPENDITURE

	Note	6 Months to 31 December 2013 $	Year ended 30 June 2013 $
Exploration and evaluation phases – at cost		**51,695,289**	48,301,425
Movement in carrying amounts			
Brought forward		**48,301,425**	145,498,558
Exploration and evaluation expenditure capitalised (a)		**2,833,248**	8,947,400
Exploration expenditure impaired during the period (b)		**(451)**	(107,165,456)
Foreign currency gains / (losses)		**561,067**	1,020,923
Total exploration and evaluation phases		**51,695,289**	48,301,425

The value of the exploration expenditure is dependent upon:

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

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

(a) Exploration and evaluation expenditure capitalised

Payments for exploration and evaluation per the statement of cash flows of $5,516,707 include exploration capitalised on assets classified as non-current asset held for sale of $2,683,459.

(b) Impairment

During the six months ended 31 December 2013, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation of $451 ($107,165,456: 30 June 2013) relating to tenements relinquished during the period.

8. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2013 $	30 June 2013 $
Investments in associates accounted for using the equity method	**4,576,161**	3,150,607

(a) Investment details

	Percentage held at balance date		31 December 2013	30 June 2013
	31 Dec 2013	30 June 2013	$	$
Fe Limited	19.9%[1]	19.9%[1]	**11,537**	318,450
Cauldron Energy Limited	22.58%	21.10%	**2,649,959**	2,330,117
Kupang Resources Limited	12.21%[1]	11.6%[1]	**-**	-
Global Strategic Metals NL	34.89%	19.5%[1]	**1,914,665**	502,040
			4,576,161	3,150,607

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

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

	31 December 2013 $	30 June 2013 $
Balance at beginning of period	**3,150,607**	9,085,972
Acquisition of shares in associates	**513,751**	-
Conversion of convertible loan notes in associate entity (i)	**2,092,664**	3,965,891
Exercise of call options in associate entities (ii)	**-**	858,500
Share of losses of associates recognised during the period	**(1,413,178)**	(3,550,631)
Share of reserves of associates recognised during the period	**232,317**	320,836
Interest in associate reclassified as interest in listed shares held at fair value through profit and loss due to loss of significant influence (iii)	**-**	(1,328,692)
Share of reserves of associate de-recognised during the year due to reclassification of investment in associate to listed shares carried at fair value through profit and loss	**-**	679,197
Interest in associate disposed of during the period (iv)	**-**	(1,100,000)
Impairment loss (d)	**-**	(5,780,466)
	4,576,161	3,150,607

Current period ended 31 December 2013

(i) In November 2013, the Company converted $655,685 convertible loans (plus $24,431 interest receivable) into 6,042,839 shares in Cauldron Energy Limited.

In December 2013, the Company converted $1,350,000 convertible loans (plus $62,548 interest receivable) into 47,084,932 shares in Global Strategic Metals NL.

8. INVESTMENTS IN ASSOCIATED ENTITIES (continued)

Prior period ended 30 June 2013

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

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

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

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

(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 2013	30 June 2013
	$	$
Fe Limited	**551,731**	459,776
Cauldron Energy Limited	**4,422,758**	3,359,905
Kupang Resources Limited	**2,503,406**	2,026,365
Global Strategic Metals NL	**2,013,857**	502,040

(d) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 31 December 2013 by comparing the market prices of the investments to the carrying value of the investments held by the Company. Impairment losses of nil (30 June 2013: $5,780,466) have been recognised.

9. INCOME TAXES

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an arrangement for payment (Arrangement) of half the primary tax and shortfall interest charge assessed pending the outcome of the objection lodged by the Company. Refer to note 12 for a detailed discussion on the contingent liability for income tax including interest and penalties in relation to an amended tax assessment.

During the period ended 31 December 2013, no tax was payable / paid to the Australian Taxation Office. As at 31 December 2013, the Company had paid $33,395,426 under the Arrangement which is reflected as prepaid tax in these accounts.

During the period ended 31 December 2012, the Company paid $16,281,195 to the Australian Taxation Office. As at 31 December 2012, the Company had paid $10,000,000 under the Arrangement. The remaining tax paid of $6,281,195 during the half year ended 31 December 2012 relates to income tax arising on the normal operation of the business.

10. ISSUED CAPITAL

	31 December 2013 $	30 June 2013 $
667,938,887 fully paid ordinary shares (30 June 2013: 679,691,942)	**194,031,319**	195,614,664

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 2013	**Number**	**$**
Shares on issue at 1 July 2013	679,691,942	195,614,664
Shares cancelled as part of on-market buyback	(11,753,055)	(1,583,345)
Shares on issue at 31 December 2013	667,938,887	194,031,319

In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company will be subsequently cancelled. During the half year ended 31 December 2013, the Company bought back 11,753,055 Shares for a total consideration of $1,583,344.

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

In January 2013, the Company commenced an on market buy-back of up to 10% of the Company's fully paid ordinary shares. Shares bought back by the Company will be subsequently cancelled. During the year ended 30 June 2013, the Company bought back 9,416,850 Shares for a total consideration of $1,436,112.

11. ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

Consistent with the Company's business model, the Company continues to respond to interest from third parties for the divestment of Marampa. Based on the stage of current negotiations, at 31 December 2013 the Directors consider such a transaction to be highly probable.

The major classes of assets and liabilities of Marampa as at 31 December 2013 are as follows:

	Marampa $	Total $
Assets		
Cash and cash equivalents	269,939	
Trade and other receivables	87,506	
Property, plant and equipment	412,832	
Capitalised exploration and evaluation costs	107,198,077	
Assets classified as held for sale		107,968,354
Liabilities		
Trade and other payables	263,131	
Provisions	69,749	
Deferred tax liability	5,282,814	
Liabilities directly associated with assets classified as held for sale		5,615,694
Net assets classified as held for sale as at 31 Dec 2013		**102,352,660**

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

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

12. CONTINGENT ASSETS AND LIABILITIES

At 31 December 2013, the Cape Lambert Group has the following contingent liabilities and contingent assets:

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Contingent Assets		
Consideration receivable in relation to the sale of the Cape Lambert Project[1]	**80,000,000**	80,000,000
Consideration receivable in relation to the sale of the Sappes Gold Project[3]	**-**	10,000,000
Royalty in relation to the sale of African Iron Limited[4]	**-**	-
Contingent Liabilities		
Tax payable in relation to notice of amended tax assessment[2]	**(112,488,249)**	(107,115,344)
Commission payable in relation to the sale of the Cape Lambert Project[1]	**(7,600,000)**	(7,600,000)

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

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

1. $230,000,000 at settlement date (6 August 2008);
2. $80,000,000 within 45 days of the settlement date (received on 15 September 2008); and
3. $80,000,000 within 7 days of satisfaction of certain mining approval conditions in respect of the Project or if MCC has not used its reasonable endeavours to procure the mining approvals within two years.

The deposit and first two payments have been received by the Company. The amount of $80,000,000 relating to the satisfaction of mining approvals has not been paid.

The Company is presently engaged in an international arbitration against MCC WA, MCC Sanjin and MCC China (as guarantor) for payment of the amount of $80,000,000.

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

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

12. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

In September 2012 the arbitral proceedings commenced. Those proceedings are on-going and are being conducted out of the Singapore International Arbitration Centre. On 7 August 2013 the Arbitrator issued a Partial Award requiring MCC China to pay the sum of $80,000,000 into an escrow account in the joint names of the parties. On 25 November 2013 the sum of $80,000,000 was paid into the escrow account, as directed by the Arbitrator.

As at 31 December 2013, the $80,000,000 remains in the escrow account pending the outcome of the Arbitrator proceedings and accordingly the Company has not recognised the payment owing as a receivable.

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

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

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

1. the ATO have assessed that income tax should have been paid in 2009 on the fair value of the contingent receivable due from MCC (refer Note 20(1)) and have determined a fair value of $56,300,000 (tax effect of $16,890,000) for this purpose;
2. the ATO have assessed that deductions claimed for exploration arising from the acquisition of the Lady Annie and Lady Loretta projects in the 2009 year of $137,526,510 (tax effect of $41,257,953) were not immediately deductible against 2009 taxable income. These deductions would then be realised in subsequent years when these projects were sold; and
3. following the adjustments made in (a) and (b) above, the ATO have also assessed other adjustments that give rise to an increase in carried forward tax losses amounting to $1,684,128 (tax effect of ($505,238))

On 11 December 2012 the Company announced that following discussions with the ATO it had agreed to an Arrangement for Payment (**Arrangement**) of half the primary tax and shortfall interest charge assessed pending the outcome of the objections lodged by the Company. After this time, the rate of general interest charge accruing on the unpaid balance of disputed tax and shortfall interest charge will be reduced by half.

On 26 February 2014 the Company announced that the objections lodged with the ATO in relation to the Amended Assessment have been disallowed. The Company intends to appeal the objection decisions in the Federal Court of Australia. The Company believes that it has a strong defence to the disputed matters and continues to vigorously defend this position.

As at 31 December 2013 the Company has paid the full amount of $33,395,426 in accordance with the terms of the Arrangement which is reflected as prepaid tax in these accounts. The Arrangement provided that collection action for the balance of the disputed amount would not be commenced by the ATO before the dispute is resolved and no collection action should be taken by the ATO until this time.

12. CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

If the Company was unsuccessful in its dispute on the Amended Assessment, the Company would have a cash outflow of $79,092,823 to the ATO together with any costs incurred in defending its position plus additional interest that may accrue to the point of resolution. As at 31 December 2013 the Amended Assessment plus interest accrued at the full general interest rate to 31 December 2013 is $112,488,249. All interest, penalties and costs of defending its position contained in the Amended Assessment would be expensed to the profit and loss and the $137,526,510 of deductions claimed in the 2009 year would be carried forward as deductions against taxable income declared in years subsequent to the 2009 year and/or available as carried forward tax losses that could be recognised as an asset in the financial statements to the extent that it was probable that future taxable income would be available to utilise them.

[3] Contingent asset in relation to the sale of the Sappes Gold Project
During the year ended 30 June 2012, the Company disposed of 100% of its interest in the Sappes Project to Glory Resources Limited (**Glory**), an Australian listed Company, for a consideration of $46.5 million. The purchase consideration includes two contingent payments of $5.0 million each, which are payable once certain operating permits and production related milestones are achieved.

During the period ending 31 December 2013, the Company announced an off market takeover offer by TSX listed Eldorado Gold Corporation to acquire the remaining shares in Glory. Pursuant to the terms of the takeover offer, the Company will receive $6.5 million in satisfaction of the two contingent payments. As at 31 December 2013, the Company has recognised the $6.5 million receivable given the Glory announcement on 11 February 2014 that the off market takeover was unconditional. Refer to events subsequent to balance date for further details.

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

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

As at 31 December 2013, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

13. FINANCIAL INSTRUMENTS

Risk Management Activities

The risk management activities are consistent with those of the previous financial year unless otherwise stated.

Financial Instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the Group:

	31 December 2013 $	30 June 2013 $
Financial assets:		
Cash and cash equivalents	14,274,051	16,915,095
Cash and cash equivalents reclassified as held for sale	269,939	119,259
Restricted cash	6,506,863	6,449,963
Trade and other receivables – at amortised cost	13,601,656	18,413,096
Trade and other receivables reclassified as held for sale	87,506	37,627
Other financial assets	6,063,750	-
Total current	40,803,765	41,935,040
Restricted cash	81,833	81,833
Other financial assets	6,742,248	11,072,791
Total non-current	6,824,081	11,154,624
Total assets	47,627,846	53,089,664
Financial liabilities:		
Trade and other payables – at amortised cost	3,252,193	3,666,831
Trade and other payables reclassified as liabilities directly associated with non-current assets held for sale	263,131	293,822
Total current	3,515,324	3,960,653
Total liabilities	3,515,324	3,960,653

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 31 December 2013:

	Carrying amount $	Fair value $
Financial assets:		
Cash and cash equivalents	14,274,051	14,274,051
Cash and cash equivalents reclassified as held for sale	269,939	269,939
Restricted cash	6,506,863	6,506,863
Trade and other receivables – at amortised cost	13,601,656	13,601,656
Trade and other receivables reclassified as held for sale	87,506	87,506
Other financial assets	6,063,750	6,063,750
Total current	**40,803,765**	**40,803,765**
Restricted cash	81,833	81,833
Other financial assets	6,742,248	6,742,248
Total non-current	**6,824,081**	**6,824,081**
Total assets	**47,627,846**	**47,627,846**
Financial liabilities:		
Trade and other payables – at amortised cost	3,252,193	3,252,193
Trade and other payables reclassified as liabilities directly associated with non-current assets held for sale	263,131	263,131
Total current	**3,515,324**	**3,515,324**
Total liabilities	**3,515,324**	**3,515,324**

13. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using the quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

As at 31 December 2013, the Group had the following classes of financial instruments measured at fair value:

	Period ended 31 December 2013			
	Quoted market price (Level 1) $	**Valuation technique- market observable inputs (Level 2) $**	**Valuation technique- non market observable inputs (Level 3) $**	**TOTAL $**
Current				
Financial assets recognised at fair value through Profit or Loss				
Shares in listed entities	6,063,750	-	-	6,063,750
Non-current				
Financial assets recognised at fair value through Profit or Loss				
Shares in listed entities	3,691,429	-	-	3,691,429
Call options	-	14,150	-	14,150
	3,691,429	**14,150**	**-**	**3,705,580**

The Group classifies its investments in other financial assets in the following categories: loans and receivables, held-to-maturity investments, available-for-sale financial assets and financial assets held for trading. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investment at initial recognition.

Investments in unlisted entities are classified as available for sale financial assets. Available for sale financial assets are measured at fair value, or cost where fair value cannot be reliably measured until the investment is disposed of or determined to be impaired, at which time the gain or loss on disposal or the impairment is recognised in the profit or loss.

14. DISPOSAL OF CONTROLLED ENTITY

On 28 June 2013, the Company announced that following completion of due diligence inquiries by the purchaser and receipt of a “no objection” letter for the acquisition pursuant to the Foreign Acquisition and Takeover Act 1975 (Cth), the sale of its wholly owned subsidiary, Cape Lambert Leichhardt Pty Ltd, the holder of the Leichhardt Copper Project became unconditional. The purchaser paid a $2,000,000 non-refundable deposit in April 2013 and a second $2,000,000 non-refundable deposit in June 2013.

The Company received the balance of the consideration, being $10,750,000 and transitional funding associated with the Leichhardt Project from 1 May 2013 until completion on 8 July 2013.

On 20 February 2014, the Company received $5,651,492 of environmental bonds associated with the Leichhardt project.

15. EVENTS SUBSEQUENT TO REPORTING DATE

- On 8 January 2014, the Company announced a second on market buy-back of up to 10% of the Company’s fully paid ordinary shares. Shares bought back by the Company are subsequently cancelled. Cannaccord Genuity (Australia) Limited has been appointed by the Company to act as broker to the on market share buy-back. At the date of this report, the Company had bought back 5,087,048 shares for a total consideration of $553,714.

- On 8 February 2013, the Company released an announcement advising shareholders that Exxaro Resources Limited (JSE: EXX) (“Exxaro”) has been granted a Mining Convention for the Mayoko Iron Ore Project (“Mayoko Project”), which upon production commencement will see Cape Lambert receive significant royalty payments on an ongoing basis. The royalty is equal to US$1 per tonne for every tonne of iron ore shipped from the Mayoko Project (indexed annually to the CPI). Previously, Exxaro had indicated that production from Mayoko is due to commence in H2 2014 at a rate of 30,000 tonnes per month, rising to 2 million tonnes per annum from 2015. From 2019 it is expected that production will be approximately 10 million tonnes per annum.

- On 11 February 2014, the Company released an announcement referring to the recent announcement by Glory Resources Limited (ASX: GLY) (“Glory Resources”) by its major shareholder TSX listed Eldorado Gold Corporation (TSX: ELD) (“Eldorado”) that the off market takeover offer to acquire Glory Resources remaining shares on issue for A$0.17 per share had gone unconditional. On 20 February 2014, the Company received $6,247,000 in cash which represents that sale of the Company’s shareholding in Glory Resources based on 36,750,000 shares at $0.17 per share. Cape Lambert will receive the balance of the consideration, being $6,500,000 for upfront payment in lieu of the Milestone Payments, upon successful completion of the Takeover Offer.

- On 20 February 2014, the Company received $5,651,492 of environmental bonds associated with the Leichhardt project.

- On 26 February 2014 the Company announced that the objections lodged with the ATO in relation to the Amended Assessment have been disallowed. The Company intends to appeal the objection decisions in the Federal Court of Australia. The Company believes that it has a strong defence to the disputed matters and continues to vigorously defend this position.

16. NOTE TO THE CASH FLOW STATEMENT

(a) Reconciliation of Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks. Cash and cash equivalents at the end of the period as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	31 December 2013	30 June 2013
	$	$
Cash and cash equivalents		
Cash in banks and on hand	**14,543,990**	4,034,354
Deposits at call	**-**	13,000,000
Cash and cash equivalents per consolidated statement of cash flows	**14,543,990**	17,034,354
Less: cash and cash equivalents classified as held for sale	**(269,939)**	(119,259)
Cash and cash equivalents per consolidated statement of financial position	**14,274,051**	16,915,095

(b) Non-Cash Activities

Current year

No significant non-cash investing or financing transactions occurred during the period ended 31 December 2013.

Prior year

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

DIRECTORS' DECLARATION

In the opinion of the directors:

(a) The financial statements and notes of the Consolidated Entity for the half-year ended 31 December 2013 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 2013 and of its performance for the half-year ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 Interim Financial Reporting, International Financial Reporting Standard, IAS 34 Interim Financial Reporting and the Corporations Regulations 2001

(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.

Tony Sage
Director

Dated this 6th day of March 2014

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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 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the 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 and the *Corporations Act 2001* and for such internal controls as the directors determine are 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 a 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 2013 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 and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 2013 and of its performance for the half-year ended on that date; and

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

Emphasis of matter

We draw attention to Note 12 to the financial statement, which describes the uncertainty related to the outcome of the notice of amended tax assessment issued to the company by the Australian Taxation Office. Our conclusion is not modified in respect to this matter.

Ernst & Young

G H Meyerowitz
Partner
Perth
6 March 2014