CAPE LAMBERT RESOURCES LIMITED

ABN 71 095 047 920

AND ITS CONTROLLED ENTITIES

Interim Financial Report
For The Half-Year Ended
31 December 2019

CONTENTS

CORPORATE DIRECTORY

Directors
Mr Tony Sage - Executive Chairman
Mr Tim Turner - Non-Executive Director
Mr Mark Hancock – Non-Executive Director (appointed 11 February 2020)

Company Secretary
Ms Melissa Chapman

Stock Exchange Listing
Australian Securities Exchange
ASX code: CFE

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Country of Incorporation
Australia

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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 2019.

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
Stefan Muller (retired 11 February 2020)
Mark Hancock (appointed 11 February 2020)

COMPANY SECRETARY

Melissa Chapman

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:

<u>Financing Facility - Magna</u>

As previously announced, On 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) of which A$750k (548,310 convertible notes) was drawn down on 19 December 2018.

During the half year ended 31 December 2019, Magna converted 157,086 notes which resulted in the issue of 42,546,264 fully paid ordinary shares in the Company. As at 31 December 2019, Magna had 176,731 convertible notes remaining.

<u>Financing Facility - Winance</u>

On 31 July 2019, the Company announced that it had secured an A$15m finance facility with Winance Investment LLC (**Winance**) for mining exploration and general working capital purposes.

The initial tranche of A$1.2m (1,200 convertible notes) was drawn down on 8 August 2019 with the conversion of initial tranche A notes ($480k or 480 convertible notes) unconditional and the conversion of initial tranche B notes ($720k or 720 convertible notes) subject to prior approval by Cape Lambert shareholders. Further tranches of A$13.8m is available in tranches of A$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period. Full terms and conditions of the convertible securities are included in the announcement released on 31 July 2019.

During the half year ended 31 December 2019, Winance converted 210 notes which resulted in the issue of 42,000,000 fully paid ordinary shares in the Company. As at 31 December 2019, Winance had 990 convertible notes remaining.

Project Information

As at 31 December 2019, the Company's key projects were as follows:

- Kukuna Iron Ore Project (**Kukuna Project**) located in Sierra Leone
- Wee McGregor Copper Project (**Wee McGregor**) located in Queensland, Australia

The status of these assets during the half-year ending 31 December 2019 was as follows:

Marampa

In 2014, Marampa Iron Ore (SL) Limited (**Marampa SL**), a wholly owned subsidiary of Cape Lambert was granted the mining and environmental licences for ML05/2014 (together the **Mining Licence**). The Company has spent circa US$62.7m on exploration and development to date on the Marampa Project.

In September 2018, Marampa SL received a letter from the Sierra Leone Ministry of Mines (**SLMOM**) cancelling the Mining Licence. In 2018, Marampa SL commenced legal action in Sierra Leone to challenge SLMOM's decision to cancel the Mining Licence ML05/2014, however, the Board has agreed to place legal action against the SLMOM on hold.
Whilst no formal application has been made to date, the Company has, and will continue to be, engaged in dialogue with the relevant Sierra Leonean authorities in an attempt to have the Mining Licence reinstated or reissued by mutual agreement.

Whilst there can be no guarantee that the SLMOM will agree to reinstate or reissue a Mining Licence, if Marampa SL were to successfully recover the Mining Licence, the Board is committed to working with the relevant parties to secure access to the necessary plant and equipment and infrastructure to enable the ramp up of the Marampa Project upon the reissue of the Mining Licence for the benefit of our shareholders as well as, importantly, the Government and People of Sierra Leone.

In parallel, Management are in preliminary discussions with third parties to secure financing to fund the development of the Marampa Project.

Kukuna

The Kukuna Project remained on care and maintenance.

Wee McGregor

Mining International Pty Ltd **(Mining International**), is a wholly owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases (which were excluded from the sale of the Leichhardt Copper Project) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland. The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The tenements are located in the Mary Kathleen Zone/Wonga Sub province. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits. Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098. There were no activities conducted at the tenements during the period.

The board intends to continue to follow its strategy of acquiring and investing in undervalued and/or distressed mineral assets and companies (**Projects**) and improve the value of these Projects, through a hands on approach to management, exploration, evaluation and development and retaining a long-term exposure to these Projects through a production royalty and/or equity interest. Cape Lambert aims to deliver shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

Competent Persons Statement

The contents of this Report relating to Exploration Results 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.

Result

The Consolidated Entity made a loss after income tax for the half-year ended 31 December 2019 of $2,329,787 (31 December 2018: profit of $559,044).

EVENTS SUBSEQUENT TO BALANCE DATE

On 6 January 2020, the Company issued 12,000,000 fully paid ordinary shares to Winance upon the conversion of 60 notes.

On 24 January 2020 the Company entered into a $2.2m loan facility with Winance (**Winance Loan**). The Winance Loan is for a term of 6 months and accrues interest of 20% during that period and is secured against by 30m shares held by the Company in European Lithium Limited (ASX: EUR). The Company has paid introducer and facilitation fees of 9% of the loan amount.

On 11 February 2020, the Company announced that it had entered into a new consultancy agreement entered with Okewood Pty Ltd to provide the services of Chairman of Cape Lambert. An Addendum was entered into covering the period 31 October 2019 to 31 December 2019 based on a set fee of $400,000 (plus GST) per annum. In addition, a three-year term (effective from 1 January 2020) consultancy contract was executed to provide the services of Chairman of the Company for a period of 3 years set fee of $400,000 (plus GST) per annum.

On 11 February 2020, the Company held it's 2019 AGM. Each resolution was decided by a poll and, other than resolution 2 (Re-election of Director - Stefan Muller), was carried. Following the AGM, on 19 February 2020, the Company issued 60,488,463 shares as settlement of liabilities as resolved at the AGM (resolutions 10-14).

On 11 February 2020, the Company issued 20,000,000 shares at $0.005 per share to raise funds of $100,000. On the same day, the Company also issued 20,000,000 free attaching options with an exercise price of $0.006 expiring on 30 June 2023. The Company also issued 1,200,000 options to the broker of the transaction.

On 11 February 2020, Non-Executive Director Mr Stefan Müller retired by rotation as a non-executive Director of the Company. Following Mr Müller's retirement, Mr Mark Hancock was appointed Non-Executive Director of the Company with effect from 11 February 2020.

There are no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

DIVIDEND

No dividend was declared or paid during the half year ended 31 December 2019.

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 2019.

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

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Tony Sage
Director

Dated this 13 day of March 2020

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF CAPE LAMBERT RESOURCES LIMITED

As lead auditor for the review of Cape Lambert Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
2. 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.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2019

	Note	For the six months ended 31 December 2019 $	31 December 2018 $
Revenue	3a	**221,594**	149,405
Other income	3b	**4,643**	81,329
Share based payments expense	12b	**-**	(3,005)
Directors remuneration and employee benefits expenses		**(415,111)**	(414,074)
Consulting and professional services expenses		**(339,480)**	(540,674)
Occupancy expenses		**(326,622)**	(332,086)
Compliance and regulatory expenses		**(69,930)**	(116,953)
Travel and accommodation		**(10,363)**	(50,351)
Depreciation and amortisation expense		**(9,273)**	(12,784)
Gain/(loss) on fair value of financial assets through profit and loss	5a	**9,443**	(787,579)
Exploration and evaluation expenditure (expenditure)/reversal	6	**(177,114)**	3,568,842
Other expenses		**(105,208)**	(207,585)
Finance expenses		**(546,979)**	(37,885)
Reversal of/(impairment) of investment in associate	7b	**(851,848)**	304,036
Impairment of investments in joint venture	8	**57,489**	-
Impairment of unlisted investment	5b	**-**	(52,565)
Shares of net losses of JV accounted for using the equity method	8	**-**	(450,379)
Share of net profits/(losses) of associates accounted for using the equity method	7b	**(83,677)**	(588,912)
Net gain on dilution of interest in associates	7b	**312,649**	50,264
Profit/(Loss) before income tax		**(2,329,787)**	559,044
Income tax benefit / (expense)		**-**	-
Profit/(Loss) after income tax		**(2,329,787)**	559,044
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		**(4,021)**	(104,629)
Share of reserves of associate accounted for using the equity method	7b	**89,927**	124,327
Total comprehensive income / (loss) for the period		**(2,243,881)**	578,742
Profit/(Loss) after income tax attributable to:			
Members of Cape Lambert Resources Limited		**(2,329,787)**	559,044
		(2,329,787)	559,044
Total comprehensive income / (loss) attributable to:			
Members of Cape Lambert Resources Limited		**(2,243,881)**	578,742
		(2,243,881)	578,742
Profit/(Loss) per share attributable to members of Cape Lambert Resources Limited			
Basic profit/(loss) per share (cents per share)		**(0.22)**	0.06
Diluted profit/(loss) per share (cents per share)		**(0.22)**	0.06

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMEBER 2019

	Note	As at 31 December 2019 $	 30 June 2019 $
CURRENT ASSETS			
Cash and cash equivalents		**103,642**	210,106
Restricted cash		**12,500**	12,500
Trade and other receivables	4	**320,307**	224,612
TOTAL CURRENT ASSETS		**436,449**	447,218
NON-CURRENT ASSETS			
Other financial assets	5	**1,006,498**	997,055
Investments accounted for using the equity method	7	**5,497,790**	6,030,739
Restricted cash		**81,833**	81,833
Plant and equipment		**85,993**	94,725
Exploration and evaluation expenditure	6	**-**	-
TOTAL NON-CURRENT ASSETS		**6,672,114**	7,204,352
TOTAL ASSETS		**7,108,563**	**7,651,570**
CURRENT LIABILITIES			
Trade and other payables	10	**5,417,420**	4,626,822
Provisions		**79,914**	206,257
Current tax liabilities	8	**1,300,861**	1,041,679
Convertible notes	9	**276,193**	459,737
Short term loan payables	11	**1,427,348**	733,001
TOTAL CURRENT LIABILITIES		**8,501,736**	7,067,496
NON CURRENT LIABILITIES			
Long term loan payable	11	**-**	689,734
Long term convertible note	9	**1,016,447**	-
Non-current tax liabilities	8	**2,341,549**	2,861,893
TOTAL NON CURRENT LIABILITIES		**3,357,996**	3,551,627
TOTAL LIABILITIES		**11,859,732**	**10,619,123**
NET ASSETS		**(4,751,169)**	**(2,967,553)**
EQUITY			
Issued capital	12	**203,755,400**	203,295,135
Reserves		**23,882,246**	23,796,340
Accumulated loss		**(232,388,815)**	(230,059,028)
TOTAL EQUITY		**(4,751,169)**	**(2,967,553)**

The accompanying notes form part of this financial report.

Cape Lambert Resources Ltd

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF- YEAR ENDED 31 DECEMBER 2019

	Issued Capital $	(Accumulated Loss) / Retained earnings $	Share Based Payment Reserve $	Foreign Currency Translation Reserve $	Business Combination Reserve $	Total Equity $
Balance at 1 July 2019	**203,295,135**	**(230,059,028)**	**2,677,884**	**22,208,957**	**(1,090,501)**	**(2,967,553)**
(Loss) for the year	-	(2,329,787)	-	-	-	(2,329,787)
Other comprehensive income						
Share of reserves of associate accounted for using the equity method	-	-	66,528	23,399	-	89,927
Foreign exchange differences arising on translation of foreign operations	-	-	-	(4,021)	-	(4,021)
Total comprehensive income for the half-year	-	(2,329,787)	66,528	19,378	-	(2,243,881)
Transactions with owners in their capacity as owners						
Shares issued during the period	460,265	-	-	-	-	460,265
Transactions with equity holders in their capacity as equity holders	460,265	-	-	-	-	460,265
Balance at 31 December 2019	**203,755,400**	**(232,388,815)**	**2,744,412**	**22,228,335**	**(1,090,501)**	**(4,751,169)**
Balance at 1 July 2018	**200,730,049**	**(223,599,865)**	**2,392,942**	**22,302,495**	**(1,090,501)**	**735,121**
Profit for the year	-	559,044	-	-	-	559,044
Other comprehensive income						
Share of reserves of associate accounted for using the equity method	-	-	61,213	63,113	-	124,327
Foreign exchange differences arising on translation of foreign operations	-	-	-	(104,629)	-	(104,629)
Total comprehensive income for the half-year	-	559,044	61,213	(41,516)	-	578,742
Transactions with owners in their capacity as owners						
Share based payments	(152,971)	-	155,976	-	-	3,005
Shares issued during the period	2,720,741	-	-	-	-	2,720,741
Capital raising costs	(81,000)	-	-	-	-	(81,000)
Transactions with equity holders in their capacity as equity holders	2,486,770	-	155,976	-	-	2,640,015
Balance at 31 December 2018	**203,216,819**	**(223,040,821)**	**2,610,131**	**22,260,979**	**(1,090,501)**	**3,956,607**

The accompanying notes form part of this financial report.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2019

	Note	For the six months ended 31 December 2019 $	31 December 2018 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees (inclusive of GST)		**(305,875)**	(1,874,090)
Payments for exploration and evaluation		**(328,317)**	(386,322)
Interest received		**303**	1,179
Income tax paid	8	**(260,172)**	(780,516)
Net cash used in operating activities		**(894,061)**	(3,039,749)
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**-**	(12,789)
Purchase of equity investments		**-**	(3,854)
Investment in joint venture		**-**	(1,100,888)
Net cash from / (used in) investing activities		**-**	(1,117,531)
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of convertible notes		**1,200,000**	750,000
Transaction costs related to issue of convertible notes		**(412,403)**	-
Proceeds from share issue		**-**	2,609,741
Proceeds from borrowings		**-**	688,609
Net cash provided by financing activities		**787,597**	4,048,350
Net decrease in cash and cash equivalents		**(106,464)**	(108,930)
Cash and cash equivalents at beginning of period		**210,106**	1,015,522
Cash and cash equivalents at end of period		**103,642**	906,592

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 2019 has been prepared in accordance with Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001* and was authorised for issue in accordance with a resolution of Directors on 13 March 2020.

Cape Lambert Resources Limited is a company limited by shares, incorporated and domiciled in Australia whose shares are publicly traded in the ASX. The principal activity of the Consolidated Entity during the half-year was mineral investment, exploration and evaluation.

This half-year financial report is to be read in conjunction with the annual financial report for the year ended 30 June 2019 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.

Going Concern

The consolidated financial statements of Cape Lambert have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For the half-year ended 31 December 2019 the Consolidated Entity incurred a loss after income tax of $2,329,787 (31 December 2018: $559,044 profit), net cash outflows from operating activities of $894,061 (31 December 2018: $3,039,749), a working capital deficiency of $8,065,287 and at that date had cash on hand of $103,642 (30 June 2019: $210,106). Included in the working capital deficiency is amounts owed to Directors for fees and salaries of $569,833, amounts payable to related parties $331,193, external creditors of $1,709,763, short term loans $1,427,348, convertible note holders $276,193, provision for withholding tax of $2,531,114 and the ATO of $1,300,861.

The Consolidated Entity's ability to continue as a going concern and to continue to fund its planned expanded activities is dependent on raising further capital, continued support from creditors and related parties, successful extension or renegotiation of borrowing facilities and reducing operational costs.

These conditions indicate a material uncertainty that may cast a significant doubt about the Consolidated Entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors believe that it is reasonably foreseeable that the Consolidated Entity will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- The Consolidated Entity is progressing towards the reissuance of the relevant licences at the Marampa Iron Ore Project and developing the project. While this process is taking place, the Company has commenced discussions with potential off takers regarding the provision of prepayments or other development funding;
- The Consolidated Entity requires additional capital for its next phase. The Company's current intention is to raise additional funds through equity or debt in order to fund its expansion and working capital requirements. Initial discussions have commenced with a number of Australian stockbrokers and the directors are confident of a successful outcome within the next 12 months;
- Unpaid Directors fees are not due or payable by the Company until it completes a capital raising or secures an operational revenue stream;
- Continued support from external creditors allowing for the deferred payment of certain liabilities;

- Continued support from current debt holders of the company
- The Company has established the Winance convertible loan note facility (refer note 9) allowing access to funds for the purposes of working capital and project development subsequent to the full repayment of the initial draw down;
- The Consolidated Entity is on a quarterly repayment schedule to repay ATO debt outstanding over the next 3 years;
- The Consolidated Entity has successfully negotiated for the settlement of various liabilities, including amounts owed to Directors, into equity;
- The Company has established a secondary loan facility with Winance post period-end for interim financing requirements (refer note 15);
- Conversion of convertible note debt to equity post period end; and
- Realisation of certain of the Consolidated Entity's financial assets through the sale of its listed shares.

Should the Consolidated Entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

Significant Accounting Policies

The accounting policies and methods of computation adopted are consistent with those of the previous financial year and corresponding half-year. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards with the exception of the following:

Leases

Right of use asset
The Consolidated Entity recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Consolidated Entity is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease Liabilities
At the commencement date of the lease, the Consolidated Entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Consolidated Entity and payments of penalties for terminating a lease, if the lease term reflects the Consolidated Entity exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Consolidated Entity uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low value assets
The Consolidated Entity applies the short-term lease recognition exemption for those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of plant and equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

New and amended accounting standards and interpretations

Standards and Interpretations applicable to 31 December 2019

In the half-year ended 31 December 2019, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the *AASB* that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 July 2019. As a result of this review, the Directors have applied all new and amended Standards and Interpretations that were effective as at 1 July 2019 including:

Interpretation 23 Uncertainty over Income Tax Treatments

The Consolidated Entity has adopted interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

At 1 July 2019 it was determined that the adoption of Interpretation 23 had no impact on the Consolidated Entity.

AASB 2018-1 Australian Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle

The Consolidated Entity has adopted AASB 2018-1 with the date of initial application being 1 January 2019.

The amendments clarify certain requirements in:
- AASB 3 Business Combinations and AASB 11 Joint Arrangements - previously held interest in a joint operation
- AASB 112 Income Taxes - income tax consequences of payments on financial instruments classified as equity
- AASB 123 Borrowing Costs - borrowing costs eligible for capitalisation.

At 1 July 2019 it was determined that the adoption of AASB 2018-1 had no impact on the Consolidated Entity.

AASB 16 - Leases

The Consolidated Entity has adopted AASB 16 with the date of initial application being 1 July 2019.

AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 Leases. It instead requires an entity to bring most leases into its statement of financial position in a similar way to how existing finance leases are treated under AASB117. An entity will be required to recognise a lease liability and a right of use asset in its statement of financial position for most leases. There are some optional exemptions for leases with a period of 12 months or less and for low value leases. Lessor accounting remains largely unchanged from AASB 117.

At the date initial application of AASB 16 the Consolidated Entity had a lease contract for office accommodation. Before the adoption of AASB 16, the Consolidated Entity classified a lease (as lessee) at the contract inception date as either a finance lease or an operating lease. For operating leases, the leased property was not capitalised, and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of AASB 16, the Consolidated Entity has applied the single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. Under AASB 16, where the election is made, lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

For the lease contract previously accounted for as an operating lease the Consolidated Entity elected to use the practical expedient on transition to apply the short-term lease exemption to the lease contract that ended within 12 months of the date on initial application of the Standard. Accordingly, the adoption of AASB 16 had no impact on the Consolidated Entity at date of initial application. The accounting policy for leases applied from 1 January 2019 is disclosed above in note 1.

Standards and Interpretations in issue not yet adopted applicable to 31 December 2019

The Directors have reviewed the new and revised Standards and Interpretations in issue not yet adopted that are relevant to the Company and effective for the half-year reporting periods beginning on or after 1 January 2020. As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations in issue not yet adopted on the Company and therefore no material change is necessary to the Consolidated Entity accounting policies. The Consolidated Entity 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 2019 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 Consolidated Entity the CODM are the executive management team and all information reported to the CODM is based on the consolidated results of the Consolidated Entity as one operating segment, as the Consolidated Entity's activities relate to mineral exploration.

Accordingly, the Consolidated Entity has only one reportable segment and the results are the same as the Consolidated Entity's results.

Information by geographical region

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

	31 December 2019 $	30 June 2019 $
Australia	5,511,999	6,053,566
West Africa	71,784	71,898
	5,583,783	6,125,464

Revenue by geographical region

	31 December 2019 $	30 June 2019 $
Australia	221,594	278,746
West Africa	-	-
	221,594	278,746

3. PROFIT/(LOSS) FROM OPERATIONS

	31 December 2019 $	31 December 2018 $
(a) Revenue		
Interest	303	1,109
Rental revenue	221,291	148,296
	221,594	149,405
(b) Other income		
Foreign currency gain / (loss)	(5,934)	11,588
Other	10,577	69,741
	4,643	81,329

4. TRADE AND OTHER RECEIVABLES

	31 December 2019 $	30 June 2019 $
Trade and other receivables – current		
Trade debtors	3,827,601	3,756,348
Deferred consideration receivable (a)	2,500,000	2,500,000
GST recoverable and other debtors	49,650	53,527
Prepayments	40,025	11,706
Loans receivable (b)	-	-
Expected credit loss allowance	(6,096,969)	(6,096,969)
	320,307	224,612

(a) Deferred consideration receivable payable on the achievement of a production milestone. This receivable has been previously provided for in full.

(b) Current loans receivable at balance date are made up as follows:

	Interest rate	Carrying value of loans 31 December 2019 $	30 June 2019 $
Current			
Convertible loan note of $250,250	15.0%	159,250	159,250
Loan of USD$8,000,000	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		10,606,450	10,606,450
Impairment of receivables		(10,606,450)	(10,606,450)
Current carrying value at amortised cost at balance date		-	-

5. OTHER FINANCIAL ASSETS

	31 December 2019 $	30 June 2019 $
Non-Current		
Financial Assets at Fair value through Profit or Loss		
Shares in listed entities (a)	989,063	979,620
	989,063	979,620
Financial Assets at fair value through Profit or Loss		
Shares in unlisted entities (b)	17,435	17,435
Total Financial Assets	1,006,498	997,055

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

	31 December 2019 $	30 June 2019 $
Brought forward	979,620	2,497,722
Purchase of equity investments	-	3,854
Reclassification of financial asset at fair value through profit or loss to/(from) associate	-	199,052
Gain/(Loss) on fair value of financial assets through profit and loss	9,443	(721,956)
Disposal of equity investments	-	(999,052)
	989,063	**979,620**

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

	31 December 2019 $	30 June 2019 $
Carrying value at beginning of year (cost less impairment)	17,435	70,000
Impairment of investment	-	(52,565)
	17,435	17,435

6. EXPLORATION AND EVALUATION EXPENDITURE	31 December 2019 $	30 June 2019 $
Exploration and evaluation phases	-	-
Movement in carrying amounts		
Brought forward	-	1,107,642
Exploration and evaluation expenditure capitalised	177,114	532,657
Provision/(reversal) for expenses (a)	-	(4,154,206)
Exploration expenditure de-recognised during the period	(177,114)	2,647,350
Foreign currency gains / (losses)	-	(133,443)
Total exploration and evaluation phases	-	-

(a) During the year ended 30 June 2019, the Company received a letter from the Sierra Leone Ministry of Mines (**MoM**) informing Marampa Iron Ore (SL) Limited (**Marampa SL**) of the cancellation of the Marampa mining license ML05/2014 due to non-payment of fees. In September 2014, Marampa SL submitted to the MoM an application letter entitled "Force Majeure to all Cape Lambert Operations in Sierra Leone" which was acknowledged by the MoM. The Company understood that the agreement with the MoM was that force majeure events were acknowledged and authorised and as such no fees would accrue or be payable until a processing facility was operating and Marampa SL is producing iron ore from Marampa. The Company understands that the notice of cancellation of license letter has incorrectly been issued by the new Sierra Leone government who are not aware of the agreement. In order to protect its position, Marampa SL has engaged Sierra Leone based lawyers BMT Law Chambers who has commenced legal action in the High Court of Sierra Leone regarding the status of the licence. The Company is of the view that any license fee obligations arising from the mining license agreement under a force majeure are suspended from that point in time and therefore pending legal action, the Company reversed all accrued license fees for its Sierra Leone operation during the period.

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.

7. INVESTMENTS IN ASSOCIATED ENTITIES

	31 December 2019	30 June 2019
	$	$
Investments in associates accounted for using the equity method	5,497,790	6,030,739

(a) Investment details

	Percentage held at balance date		31 December 2019	30 June 2019
	31 Dec 2019	30 June 2019	$	$
European Lithium Limited [1]	10.40	10.96	3,601,757	3,551,311
Fe Limited [2]	29.84	31.91	1,896,033	2,479,428
			5,497,790	6,030,739

[1] Although the Company holds less than a 20% interest in European Lithium Ltd (**Euro**), this investment is equity accounted given the significant influence the Company has on Euro through Mr Sage's role on the board and the interchange of management personnel.

[2] Prior to 2018, the Company controlled Fe Limited (**Fe**) through its direct shareholding and indirect shareholding through Cauldron, and as such, the Company consolidated Fe into its group for reporting purposes. Given that the Company lost its significant influence over Cauldron during the year, control has ceased to exist over Fe. The Company now accounts for its investment in Fe using the equity method.

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

	31 December 2019	30 June 2019
	$	$
Balance at beginning of period	6,030,739	7,115,698
Sale of shares	-	(199,051)
Share of profits/(losses) of associates recognised during the period	(83,677)	(919,462)
Share of reserves of associates recognised during the period	89,927	187,007
Net gain on dilution of interest in associates	312,649	565,270
Impairment (loss) (a)	(851,848)	(718,273)
	5,497,790	6,030,739

(a) The carrying amounts of the investments in associates were assessed for impairment at 31 December 2019. The market value prices of some investments were below their carrying value. As a result, the recoverable amount were measured at fair value less cost to sell. Impairment losses of $851,848 were recognised as at 31 December 2019.

8. TAX LIABILITY

	31 December 2019	30 June 2019
	$	$
Current	1,300,861	1,041,679
Non-current	2,341,549	2,861,893
	3,642,410	**3,903,572**

	31 December 2019 $	30 June 2019 $
Balance at beginning of period	3,903,572	5,203,441
Income tax expense	-	-
Repayments of income tax	(260,172)	(1,299,869)
Balance at end of period	3,642,410	3,903,572

9. CONVERTIBLE NOTE

	31 December 2019 $	30 June 2019 $
Current	276,193	459,737
Non-current	1,016,447	-
	1,292,640	**459,737**

	31 December 2019 $	30 June 2019 $
Balance at beginning of period	459,737	-
Funds borrowed under convertible loan agreement	1,200,000	750,000
Finance charges	93,168	(70,709)
Amounts repaid through cash	-	282,658
Amounts repaid through issue of shares	(460,265)	78,314
Balance at end of period	1,292,640	459,737

(a) Magna

On 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) through the issue of 548,310 convertible notes.

The face value of each convertible note is US$1.21 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twelve (12) months after the issue date. The conversion price for each convertible note is the lower of $0.045 or a 15% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than $0.005 (revised floor price).

During the year, Magna exercised its option to convert 157,086 notes borrowed under the convertible loan agreement into 42,546,264 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion of 157,086 notes during the year) was $276,193 with the difference of $66,720 recorded in the statement of comprehensive income.

As at 31 December 2019, Magna had 176,731 convertible notes remaining.

(b) Winance

On 31 July 2019, the Company entered into a Convertible Note Agreement with Winance Investment LLC (**Winance**) of which A$1.2m (1,200 convertible notes) was drawn down on 8 August 2019. Winance received a commitment fee of 5% of the investment amount at the funding of each tranche.

The face value of each convertible note is AU$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four (24) months after the issue date. The conversion price for each convertible note is the higher of a price equal to 90% of the lowest daily VWAP over the 12 trading day period prior to the conversion date rounded down to the nearest 100th, provided that the conversion price shall not in any case be lower than $0.005 (floor price).

During the year, Winance exercised its option to convert 210 notes borrowed under the convertible loan agreement into 42,000,000 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion of 210 notes during the year) was $1,016,448 with the difference of $26,448 recorded in the statement of comprehensive income.

As at 31 December 2019, Winance had 990 convertible notes remaining.

10. TRADE AND OTHER PAYABLES

	31 December 2019 $	30 June 2019 $
Trade & Other Payables (a)	2,610,790	1,788,559
Other creditors and accruals	275,486	307,487
Withholding tax	2,531,144	2,530,776
	5,417,420	4,626,822

11. LOAN PAYABLE

	31 December 2019 $	30 June 2019 $
Current	1,427,348	733,001
Non-current	-	689,734
	1,427,348	1,422,735

(a) Movements in the carrying amount of loan payable

	31 December 2019 $	30 June 2019 $
Balance at beginning of period	1,422,735	-
Proceeds from borrowings	-	1,395,184
Foreign exchange	4,610	27,552
	1,427,348	1,422,735

On 19 November 2018, the Company entered into a loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

On 12 March 2019, the Company entered into a second loan of USD$500,000 from First Investments Holding Ltd secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement.

12. ISSUED CAPITAL

(a) Ordinary shares

	31 December 2019 $	30 June 2019 $
1,104,474,020 fully paid ordinary shares (30 June 2019: 1,019,927,757)	**203,755,400**	203,295,135

	Ordinary fully paid shares Number	$
Shares on issue at 1 July 2019	**1,019,927,757**	203,295,135
Magna conversions (note 10)	**42,546,264**	250,265
Winance conversions (note 10)	**42,000,000**	210,000
	1,104,474,020	203,755,400

At 31 December 2019, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Status	Exercise Price	Number of Options
12/03/2020	Unlisted	7.0 cents	15,336,363
19/03/2020	Unlisted	7.0 cents	7,667,727
31/03/2020	Unlisted	4.0 cents	5,250,000
30/06/2021	Unlisted	3.0 cents	15,000,000
13/12/2020	Unlisted	5.0 cents	5,000,000
			48,254,090

(b) Share based payments

Share Based Payment Reserve	31 December 2019 $	30 June 2019 $
Share-Based Payment Expense		
Director Fees – options issued	-	3,005
Total Expense Recognised in Profit & Loss	-	3,005
Capital Raising Costs		
Corporate Advisor – options issued	-	152,971
Total Expense Recognised in Equity	-	152,971
Total Share Based Payments Expense	-	155,976

13. CONTINGENT ASSETS AND LIABILITIES

Contingent issue of shares on Winance Facility

On 31 July 2019, the Company announced that it had executed a finance facility with Winance Investment LLC (**Winance** or **Investor**). The facility was for up to A$15m by way of the issue of convertible securities in the Company. As at 31 December 2019, the Company has drawn down $1.2 million from the $15m facility and Further drawdowns of $500,000 each are available upon full conversion of the notes from the previous drawdown, subject to a cooling off period. The Company is under no obligation to drawdown subsequent tranches of the facility. Under the facility, Winance will also receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares. Refer to Note 10 for further details on the Winance facility.

Other than as stated above the Company had no other movements in contingent liabilities as at 31 December 2019 from those disclosed at 30 June 2019.

14. RELATED PARTY TRANSACTIONS

The Company previously entered into a contract with Okewood Pty Ltd (**Okewood**) to provide the services of Chairman to Cape Lambert. This contract expired on 28 August 2019. Since the expiry of this contract, the Cape Lambert Remuneration Committee (**Remuneration Committee**) was in discussion with Okewood regarding terms and conditions of a new contract. On 7 October 2019, the Remuneration Committee extended the existing contract with Okewood until 31 October 2019. Subsequent to the report date, the Remuneration Committee finalised the contract with Okewood (refer note 16).

There are no significant changes to the nature of related party relationships and transactions from those disclosed in the 30 June 2019 annual financial report.

15. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 January 2020, the Company issued 12,000,000 fully paid ordinary shares to Winance upon the conversion of 60 notes.

On 24 January 2020 the Company entered into a $2.2m loan facility with Winance (**Winance Loan**). The Winance Loan is for a term of 6 months and accrues interest of 20% during that period and is secured against by 30m shares held by the Company in European Lithium Limited (ASX: EUR). The Company has paid introducer and facilitation fees of 9% of the loan amount.

On 11 February 2020, the Company announced that it had entered into a new consultancy agreement entered with Okewood Pty Ltd to provide the services of Chairman of Cape Lambert. An Addendum was entered into covering the period 31 October 2019 to 31 December 2019 based on a set fee of $400,000 (plus GST) per annum. In addition, a three-year term (effective from 1 January 2020) consultancy contract was executed to provide the services of Chairman of the Company for a period of 3 years set fee of $400,000 (plus GST) per annum.

On 11 February 2020, the Company held it's 2019 AGM. Each resolution was decided by a poll and, other than resolution 2 (Re-election of Director - Stefan Muller), was carried. Following the AGM, on 19 February 2020, the Company issued 49,385,089 shares as settlement of director fees as resolved at the AGM (resolutions 10-12) and issued 11,403,374 shares as settlement of other liabilities as resolved at the AGM (resolutions 13-14). The Company will proceed to issue 152,522,625 shares as resolved at the AGM (resolution 9) no later than 3 months following the AGM.

On 11 February 2020, the Company issued 20,000,000 shares at $0.005 per share to raise funds of $100,000. On the same day, the Company also issued 20,000,000 free attaching options with an exercise price of $0.006 expiring on 30 June 2023. The Company also issued 1,200,000 options to the broker of the transaction.

On 11 February 2020, Mr Stefan Müller retired by rotation as a non-executive Director of the Company. Following Mr Müller's retirement, Mr Mark Hancock was appointed Non-Executive Director of the Company with effect from 11 February 2020.

On 25 February 2020, the Company issued 10,000,000 shares to Winance upon the conversion of 50 convertible notes.

On 25 February 2020, the Company issued 9,040,646 shares to Magna upon the conversion of 25,000 convertible notes.

On 5 March 2020, the Company issued 40,000,000 shares to Winance upon the conversion of 200 convertible notes.

There are no other matters or circumstances that have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in the future financial years.

16. FINANCIAL INSTRUMENTS

Fair value measurement

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

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

31 December 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets:				
Investments in listed shares	989,063	-	-	989,063
Investments in unlisted shares	-	-	17,435	17,435
Financial liabilities:				
Convertible notes liability	-	1,292,640	-	1,292,640

30 June 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets:				
Investments in listed shares	979,620	-	-	979,620
Investments in unlisted shares	-	-	17,435	17,435
Financial liabilities:				
Convertible notes liability	-	459,737	-	459,737

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 2019 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 2019 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) Subject to the matters set out in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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Tony Sage
Director

Dated this 13 day of March 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Cape Lambert Resources Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Cape Lambert Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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 the Group is not in accordance with the Corporations Act 2001 including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

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

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

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 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 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 half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial 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 the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 13 March 2020