

# MINERAL SECURITIES (UK) LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED

30 JUNE 2017

Company No. 01862971



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COMPANIES HOUSE

# **MINERAL SECURITIES (UK) LIMITED**

## **FOR THE YEAR ENDED 30 JUNE 2017**

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**Company registration number:** 01862971

**Registered office:** Third Floor  
One London Square  
Cross Lanes  
Guildford  
Surrey  
GU1 1UN

**Directors:** Antony Sage  
Timothy Turner

**Secretary:** Timothy Turner

**Auditors:** Lubbock Fine  
Paternoster House  
65 St Paul's Churchyard  
London  
EC4M 8AB

**Company No.** 01862971

**MINERAL SECURITIES (UK) LIMITED**  
**FOR THE YEAR ENDED 30 JUNE 2017**

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# MINERAL SECURITIES (UK) LIMITED

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## DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 30 June 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the company is that of a holding company.

## BUSINESS REVIEW

At 30 June 2017 Mineral Securities (UK) Ltd holds a 100% indirect interest in the Vostok (Kazakhstan) project.

The Company recorded a loss for the year after taxation of £299,000 (2016: loss of £41,000).

## FINANCIAL REVIEW

### Treasury and financial risk management

Mineral Securities (UK) Ltd continually reviews its approach to the management of financial risk. Control over treasury and risk management is exercised by the Cape Lambert Resources Limited Group board through the setting of policy and the regular review of forecasts and financial exposures.

### Exchange rates

Wherever possible, receipts and payments in foreign currencies are matched to create natural hedges.

### Supplier payment and policy

It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. The company policy is to pay suppliers within 30 days.

### Directors

The directors and secretaries who served during the year and up to the date of this report are set out below:

Antony Sage

Timothy Turner

### Company secretary

Timothy Turner

## Disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are shown above. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and of the company's auditor, each of these directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

# MINERAL SECURITIES (UK) LIMITED

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## DIRECTORS' REPORT (continued)

### Directors' statement of responsibilities for the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# MINERAL SECURITIES (UK) LIMITED

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## DIRECTORS' REPORT (continued)

### Auditor

Lubbock Fine will be re-appointed as the company's auditor in accordance with the elective resolution passed by the company under Section 487 of the Companies Act 2006.

### Small companies note

In preparing this report, the directors have taken the advantage of the small companies exemptions provided by section 415A of the Companies Act 2016.

BY ORDER OF THE BOARD



ANTONY WILLIAM PAUL SAGE

Director

30 April 2018

# MINERAL SECURITIES (UK) LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MINERAL SECURITIES (UK) LTD

### Opinion

We have audited the financial statements of Mineral Securities (UK) Limited (the 'Company') for the year ended 30 June 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS's) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS's as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the company operates under the support of its parent undertaking Cape Lambert Resources Limited. As stated in Note 1 the ability of the parent undertaking to continue to provide support to the company is subject to the successful outcome of ongoing settlement negotiations that it is undertaking with the Australian Taxation Office. This matter indicates that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

# MINERAL SECURITIES (UK) LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MINERAL SECURITIES (UK) LIMITED (continued)

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.



# MINERAL SECURITIES (UK) LIMITED

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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MINERAL SECURITIES (UK) LIMITED (continued)

### **Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

*Lubbock Fine*

**Matthew Lancaster** (Senior Statutory Auditor)

For and on behalf of

**Lubbock Fine**

Chartered Accountants

& Statutory Auditor

Paternoster House  
65 St Paul's Churchyard  
London EC4M 8AB

Date: 30 April 2018

# MINERAL SECURITIES (UK) LIMITED

## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

COMPANY REGISTRATION NUMBER: 01862971

		Year ended 30 June 2017 Total £000	Year ended 30 June 2016 Total £000
	Notes		
Administrative expenses		(7)	(43)
Provision against debtor from parent undertaking		(305)	-
Trading loss		(312)	(43)
Other operating income		-	-
Operating loss	4	(312)	(43)
Finance costs		-	-
Loss before taxation		(312)	(43)
Tax credit	5	13	2
Loss for the year		(299)	(41)

All income and expenses relate to continuing operations. There were no movements in other comprehensive income during the year (2016: £nil).

The notes on page 11 to 18 form part of these financial statements.

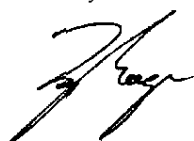
# MINERAL SECURITIES (UK) LIMITED

## STATEMENT OF FINANCIAL POSITION

COMPANY REGISTRATION NUMBER: 01862971

	Notes	30 June 2017 £000	30 June 2016 £000
Non current assets			
Investments in subsidiary undertakings	6	-	-
Current assets			
Trade and other receivables	7	-	299
Total assets		-	299
Current liabilities			
Trade and other payables	8	(6)	(6)
Total liabilities		(6)	(6)
Net (liabilities)/assets		(6)	293
Capital and reserves			
Net equity share capital	11	86,449	86,449
Reserves	12	8,126	8,126
Accumulated losses		(94,581)	(94,282)
Total equity	10	(6)	293

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



ANTONY WILLIAM PAUL SAGE  
Director  
30 April 2018

The notes on pages 11 to 18 form part of these financial statements.

## MINERAL SECURITIES (UK) LIMITED

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### STATEMENT OF CHANGES IN EQUITY

	Share Capital £000	Accumulated losses £000	Capital Contribution £000	Share cancellation reserve £000	Total £000
Balance at 30 June 2015	86,449	(94,241)	1,046	7,080	334
Loss for the year	-	(41)	-	-	(41)
Balance at 30 June 2016	86,449	(94,282)	1,046	7,080	293
Loss for the year	-	(299)	-	-	(299)
Balance at 30 June 2017	86,449	(94,581)	1,046	7,080	(6)

## MINERAL SECURITIES (UK) LIMITED

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### CASH FLOW STATEMENT

	Notes	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
Operating activities			
Operating loss		(299)	(43)
Adjustments to reconcile operating loss to net cash outflow from operating activities			
Decrease in trade and other receivables		299	44
Increase in trade and other payables		-	(1)
Net cash outflow from operating activities		-	-
Decrease in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	-
Cash and cash equivalents at the end of the year		-	-

# MINERAL SECURITIES (UK) LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

##### *i. Basis of accounts*

These financial statements present the results, cash flow, assets and liabilities of Mineral Securities (UK) Ltd for the year ended 30 June 2017. The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union as they apply to the financial statements of the company and applied in accordance with the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by derivative instruments at fair value through profit or loss.

The accounting policies which follow set out those policies which apply in preparing the financial statements.

The company is exempt from preparing consolidated financial statements under Section 401 of the Companies Act 2006 as it is a subsidiary undertaking of a parent company that prepares Group financial statements under the law of a non-EEA state.

The functional and presentation currency for Mineral Securities (UK) Ltd is Pounds sterling.

##### *ii. Going concern*

The company meets its day to day working capital requirements by the support of its parent undertaking. The directors believe it is appropriate to prepare the financial statements on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future on the basis of the company's plans and the continued support of the parent undertaking.

There is a material uncertainty since the ability of the parent undertaking to continue to provide support to the company is subject to the successful outcome of ongoing settlement negotiations that it is undertaking with the Australian Taxation Office. At the date of these financial statements, the directors are satisfied that there are reasonable grounds to believe that the parent undertaking will be able to continue in operations and continue its support to the company.

Should the going concern basis prove to be inappropriate then adjustments may be required to reduce the carrying value of assets to their recoverable amount, to provide for any additional liabilities that may arise.

##### *iii. Foreign currency translation*

Assets and liabilities denominated in currencies other than the functional currency are translated at the exchange rate ruling at the balance sheet date.

Transactions denominated in currencies other than the functional currency are accounted for at the rate ruling at the date of the transaction and net exchange gains and losses are reflected within finance income or finance costs in the statement of profit or loss and other comprehensive income.

# MINERAL SECURITIES (UK) LIMITED

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## *iv. Significant judgements and accounting estimates.*

### *Recoverable amount of assets*

At each reporting date, the company assesses whether there is any indication that an asset may be impaired. Where an indication of impairment exists, the company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent from those of other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## INCOME TAXES

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates or laws that are enacted or substantively enacted by the balance sheet date. Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions have occurred that will result in an obligation to pay more, or a right to pay less, tax. However, deferred income tax assets are recognised only to the extent that they are expected to be recoverable, e.g. against current income tax liabilities or taxes on future profits. Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of profit or loss.

## STATEMENT OF FINANCIAL POSITION

### *i. Investments*

Investments are initially measured at fair value which normally equates to cost. The carrying amount of investments is reviewed annually to ensure it is not in excess of the recoverable amount of these investments.

## EQUITY

### *1. Classification of shares as debt or equity*

Any component of a capital instrument that exhibits the characteristics of a liability is recognised as a liability in the balance sheet net of transaction costs.

### *ii. Contributed equity*

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of Ordinary Shares are recognised directly in equity as a reduction of the share proceeds received.

### *iii. Reserves*

#### *Retained Earnings (accumulated losses)*

Represents the net historic losses made by Mineral Securities (UK) Ltd.

# MINERAL SECURITIES (UK) LIMITED

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## 2. STATEMENT OF COMPLIANCE WITH IFRSs

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations issued by the International Accounting Standards Board ("IASB") and adopted by the European Union ("Endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under Endorsed IFRS.

### Changes in accounting policy and disclosures

There are no standards, amendments and interpretations to existing standards, issued by the IASB and endorsed by the EU, which are applicable to the company for the first time in the current year and have been adopted by the company.

The company has not applied the following new and revised IFRSs that have been issued and are expected to be applicable to the company, but are not yet effective:

IFRS 9	Financial instruments	Effective for periods beginning on or after 1 January 2018, with earlier application permitted
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## 3. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Mineral Securities (UK) Ltd for the year ended 30 June 2017 were authorised for issue by Antony Sage (director) on 30 April 2018 who was authorised to finalise and issue the accounts by circular resolution on 30 April 2018.

## 4. EXPENSES AND LOSSES / (GAINS)

The operating loss is stated after charging:

	2017 £000	2016 £000
Auditor's remuneration	6	6

### Employee numbers

The average number of employees during the period was nil (2016: nil).

All staff and associated costs including directors' fees and rent were borne by Cape Lambert Resources Limited (the ultimate parent company) during the year.

The directors of the parent company are also directors of the company and fellow subsidiaries. The directors received total remuneration for the year of A\$685,931 (2016: A\$802,325), all of which was paid by the group parent company. The directors do not believe that it is practicable to apportion this amount between their services as director of the parent company and their services as directors of the company and fellow subsidiaries companies.



# MINERAL SECURITIES (UK) LIMITED

## 5. RECONCILIATION OF TOTAL TAX CHARGE

	2017 £000	2016 £000
Accounting loss before taxation	(312)	(43)
Accounting loss multiplied by the average rate of corporation tax in Australia of 30% (2016: Australia 30%)	(94)	(13)
Expenses not deductible for tax purposes	81	11
Total tax credit	(13)	(2)

Mineral Securities (UK) Limited became an Australian tax resident on 30 June 2009 therefore is subject to the Australian corporate tax rate of 30%.

## 6. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Cost £000	Provisions £000	Net carrying amount £000
30 June 2015	55,343	(55,343)	-
Investments disposed of during the year	(42,071)	42,071	-
Provision for investment	-	-	-
30 June 2016	13,271	(13,271)	-
Investments disposed of during the year	-	-	-
Provision for investment	-	-	-
30 June 2017	13,271	(13,271)	-

Details of the companies in which the company holds 20% or more of the nominal value of any class of share capital are shown in note 18.

No gain or loss was made on the disposal of the investments since the entities was deregistered.

## 7. TRADE AND OTHER RECEIVABLES

	2017 £000	2016 £000
Ultimate parent company	305	299
Provision against ultimate parent company debt	(305)	-
	-	299

## 8. TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Other accruals	6	6

# MINERAL SECURITIES (UK) LIMITED

## 9. TRADE AND OTHER PAYABLES

	2017 £000	2016 £000
Other accruals	63	6

## 10. FINANCIAL INSTRUMENTS

The company's financial instruments principally comprise intercompany loans and accruals. The main purpose of financial instruments, where the company has had them, is to provide finance for the company's operations

### Financial assets and liabilities

The company's policy is to ensure that adequate funds are available. The company does not trade in financial instruments and has not entered into any derivative transactions during the year.

### Liquidity risks

Liquidity risk arises from the company's management of working capital and is the risk that the company will not be able to meet its financial obligations as they fall due. Cash forecasts and plans at group level are updated frequently and reviewed regularly by management and the Board. Currently the company is solely reliant on Cape Lambert Resources Limited to provide cash funding for operational activities. The company has an intercompany loan debtor with its ultimate parent company, and this is repayable on demand.

### Interest rate risk profile of financial assets

The intercompany loans and receivables are non-interest bearing financial liabilities and assets.

### Credit risk

All intercompany borrowings are non-interest bearing and are repayable on demand.

### Sensitivity Risk (Currency risk)

The Company is exposed to currency risk on intercompany debtors that are denominated in a currency other than the functional currency of the company.

A 5% strengthening of the GBP against the AUD would have increased the loss for the year by the amounts shown below. This assumes that all other variables remain constant.

	Year ended 30 June 2017 £000	Year ended 30 June 2016 £000
AUD	-	15
Total	-	15

A 5% weakening of the GBP against the AUD and Euro would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

### Capital Management

The company's capital is managed on a group basis by the ultimate parent Cape Lambert Resources Limited. For details of the capital management policies please refer to the Cape Lambert Resources Limited annual report and accounts for the year ended 30 June 2017.

# MINERAL SECURITIES (UK) LIMITED

## 11. RECONCILIATION OF MOVEMENTS IN EQUITY

	Net equity share capital £000	Accumulated Losses £000	Reserves £000	Total equity £000
30 June 2015	86,449	(94,241)	8,126	334
Net loss for the year	-	(41)	-	(41)
30 June 2016	86,449	(94,282)	8,126	293
Net loss for the year	-	(299)	-	(299)
30 June 2017	86,449	(94,581)	8,126	(6)

## 12. NET EQUITY SHARE CAPITAL

	Ordinary Shares £000	Share based payments £000	Equity share capital £000	Net equity share capital £000
30 June 2015	81,964	4,485	86,449	86,449
Movement	-	-	-	-
30 June 2016	81,964	4,485	86,449	86,449
Movement	-	-	-	-
30 June 2017	81,964	4,485	86,449	86,449

## AUTHORISED AND ISSUED SHARE CAPITAL

The value of the company's equity share capital comprises £31,309,469 (2016: £31,309,469) in respect of the nominal value of the ordinary shares in issue. Included in the ordinary shares above is £50,655,000 (2016: £50,655,000) which represents accumulated net Share Premium, which is legally a reserve and may, with the sanction of the courts, be utilised for capital reconstructions.

### A. ORDINARY SHARES

	Number of Shares issued	£000
30 June 2015	104,364,898	81,964
Movement	-	-
30 June 2016	104,364,898	81,964
Movement	-	-
30 June 2017	104,364,898	81,964

The Company's authorised Ordinary Share capital consists of 190,000,000 shares of 30 pence each totalling £57,000,000.

## MINERAL SECURITIES (UK) LIMITED

### 13. RESERVES

	Capital Contribution £000	Share Cancellation reserve £000	Total £000
30 June 2015	1,046	7,080	8,126
Movement	-	-	-
30 June 2016	1,046	7,080	8,126
Movement	-	-	-
30 June 2017	1,046	7,080	8,126

### 14. CAPITAL COMMITMENTS

At 30 June 2017, the company had no capital commitments (2016: £nil.)

### 15. INTERCOMPANY RELATED PARTY TRANSACTIONS

#### i. Cape Lambert Resources Ltd (ultimate parent company)

During the year Cape Lambert Resources Limited paid invoices on behalf of Mineral Securities (UK) Limited with a value of £7,002 (2016: £7,121).

The outstanding intercompany receivable from the ultimate parent company at 30 June 2017 is shown in note 7. This balance is interest free, unsecured and repayable on demand.

### 16. CONTINGENT LIABILITY

The company has guaranteed a lease to a fellow subsidiary undertaking. This lease covers the period to 3 July 2017 and the annual lease rentals total £307,811.

### 17. POST BALANCE SHEET EVENTS

No event has arisen since 30 June 2017 that would materially affect the operations of the company, or its affairs which have not otherwise been disclosed in this financial report.

### 18. PARENT UNDERTAKING

The immediate parent undertaking is Dempsey Resources Pty Limited, a company registered in Australia.

The ultimate parent undertaking is Cape Lambert Resources Limited, a company registered in Australia. Cape Lambert Resources Limited is both the largest and smallest group for which consolidated financial statements are prepared and of which the company is a member. The group financial statements are available to the public and may be obtained from the following address:

Cape Lambert Resources Limited  
32 Harrogate Street  
West Leederville WA 6007  
Australia

# MINERAL SECURITIES (UK) LIMITED

## 19. TABLE OF COMPANY INTERESTS AT 30 JUNE 2017

Name of Company	Nature of business	Country of incorporation	% of voting rights held	% of voting rights held
			30 June 2017	30 June 2016
<b>Held directly by the company</b>				
Danae Resources Pty Ltd	Holding company	Australia	100%	100%
<b>Held indirectly by the company</b>				
*Multiplex Resources (Kazakhstan) Ltd	Exploration and Mining	England & Wales	100%	100%

The company's subsidiary Buka Minerals Pty Ltd was dissolved on 12 April 2016.

\* This company was dissolved on 19 December 2017.

Copy of Parent Company Financial Statements  
for filing alongside the 30 June 2017 Accounts  
of Mineral Securities (UK) Limited.

Company number 01862971

**Cape Lambert**  
Resources Ltd



ANNUAL REPORT 2017

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*Advancing undervalued mineral assets*

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CORPORATE DIRECTORY

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**Directors**

Mr Tony Sage - Executive Chairman  
Mr Tim Turner - Non-Executive Director  
Mr Jason Brewer - Non-Executive Director

**Company Secretary**

Ms Melissa Chapman

**Stock Exchange Listing**

Australian Securities Exchange  
ASX code: CFE

**Website**

[www.capelam.com.au](http://www.capelam.com.au)

**Country of Incorporation**

Australia

**Registered Address**

32 Harrogate Street  
West Leederville, WA 6007  
Australia  
Tel: +61 8 9380 9555

**Bankers**

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

**Auditors**

Ernst & Young  
11 Mounts Bay Road  
Perth, WA 6000  
Tel: +61 8 9429 2222  
Fax: +61 8 9429 2436

**Share Registry**

Computershare Investor Services Pty Limited  
Level 11  
172 St Georges Terrace  
Perth, WA 6000  
AUSTRALIA  
Tel: 1300 85 05 05 (Australia)  
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## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

**Marampa Project**

The Marampa Iron Ore Project (**Marampa**) is a brownfields hematite iron ore project at the development and permitting stage, and is located 90 km northeast of Freetown in Sierra Leone, West Africa (**Figure 1**).

Marampa comprises one mining licence (ML05/2014) comprising 97.40km<sup>2</sup> and one granted exploration licence (EL46A/2011 – 145.86km<sup>2</sup>). The licences are held by Marampa Iron Ore (SL) Limited, indirectly a wholly owned subsidiary of the Company. Marampa has access to a stockpiling and ship loading facility located at Pepel Port via a 73km railway operated by African Railway and Port Services (SL) Limited (ARPS).

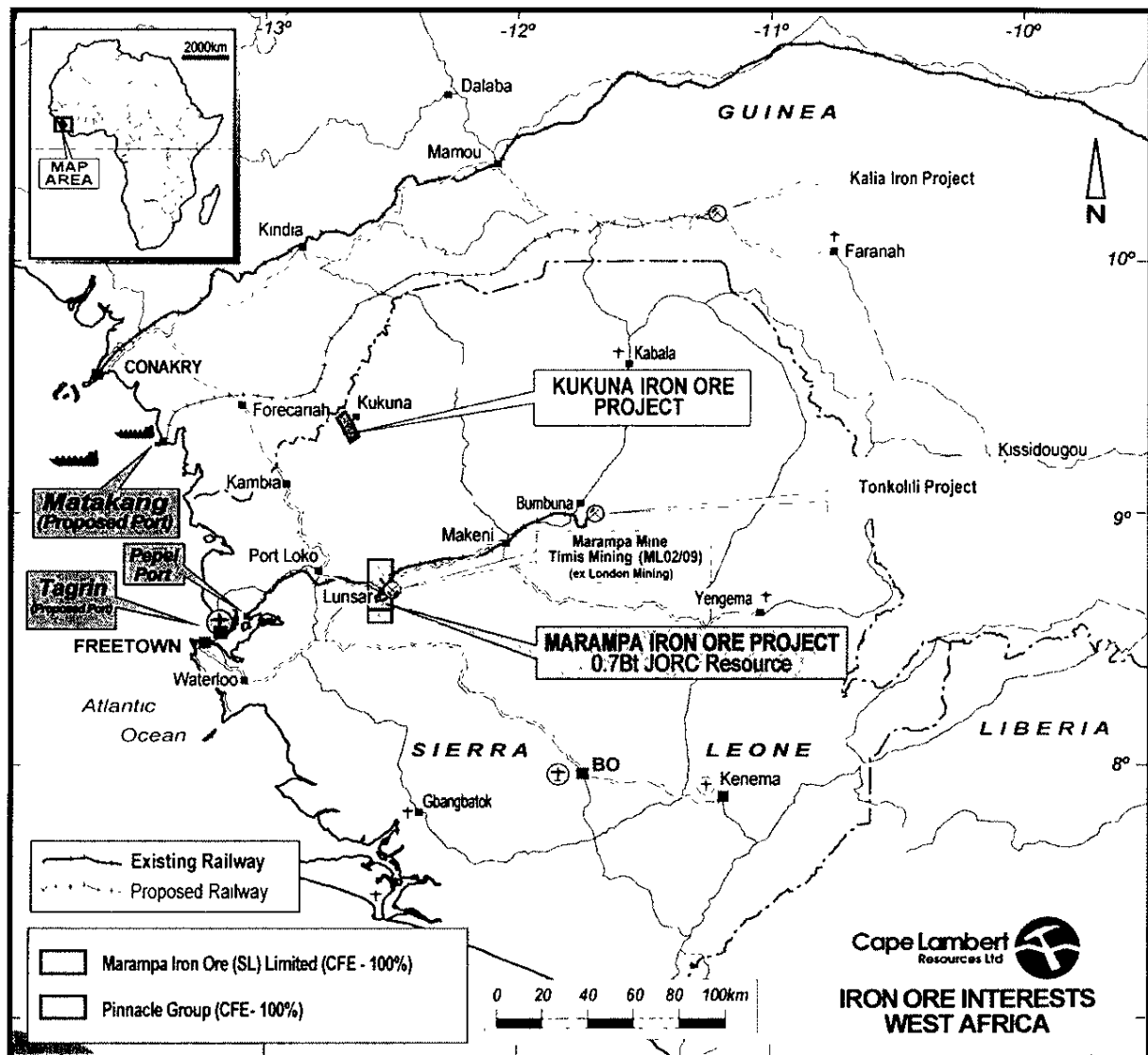


Figure 1: Regional Map showing the Company's Assets in Sierra Leone

The Marampa Project currently remains under care and maintenance.

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

### Kukuna Project

The Kukuna Project (**Kukuna**) is located 120 km northeast of Freetown in the northwest of Sierra Leone and comprises one exploration licence covering 68km<sup>2</sup> (refer **Figure 1**). The licence area is located approximately 70km due north of Marampa.

The Kukuna Project remains under care and maintenance.

### Cote D'Ivoire Project

Metals Exploration Cote D'Ivoire SA is a wholly owned subsidiary of the Company and was granted three tenements in the highly prospective Birimian Gold Belt of Cote D'Ivoire. The tenements are named Boundiali North (EL285 – 400 km<sup>2</sup>), Katiola (EL284 – 400 km<sup>2</sup>) and Bouake (EL286 – 400 km<sup>2</sup>) for a total land position of 1,200km<sup>2</sup> (**Licences**).

The Company announced in March 2016 that it had sold the Cote D'Ivoire Licences to a subsidiary of Newcrest Mining Limited (**Newcrest**) for a consideration of US\$332,500 plus a 1% net smelter return royalty on gold produced from the Licences capped at US\$1million (**Sale**). The Sale was subject to Newcrest receiving approval from the Minister of Mines for the transfer of the Licences, which first required the renewal of the Licences.

The renewal of the Licences was completed in March 2017, but as at year end, the transfer of the Licences had not been completed, but is expected to occur in the near future.

### Kipushi and Kasombo Copper-Cobalt Projects (JV with Paragon Mining SARL)

The Kipushi Cobalt-Copper Tailings Project consists of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**), while the Kasombo Copper-Cobalt Project consists of 3 mineralised areas of approximately 600Ha (Kasombo 5, 6 and 7) located within mining licences PE 481 and PE4886 (**Kasombo Project**), refer **Figure 2 and Figure 3**. Both projects are located approximately 25km from Lubumbashi, the second largest city in the Democratic Republic of Congo (DRC). The Company has a 50/50 joint venture agreement with Paragon Mining SARL (**Paragon**) to develop the projects.

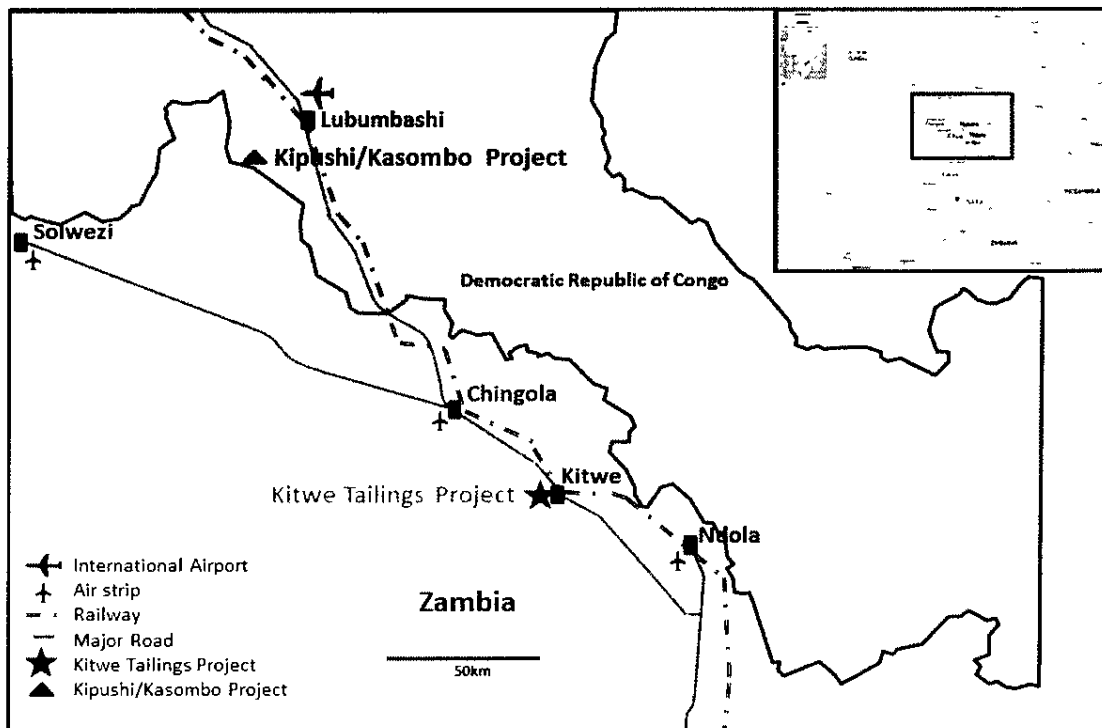


Figure 2: Location of DRC and Zambian Copper-Cobalt Projects

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

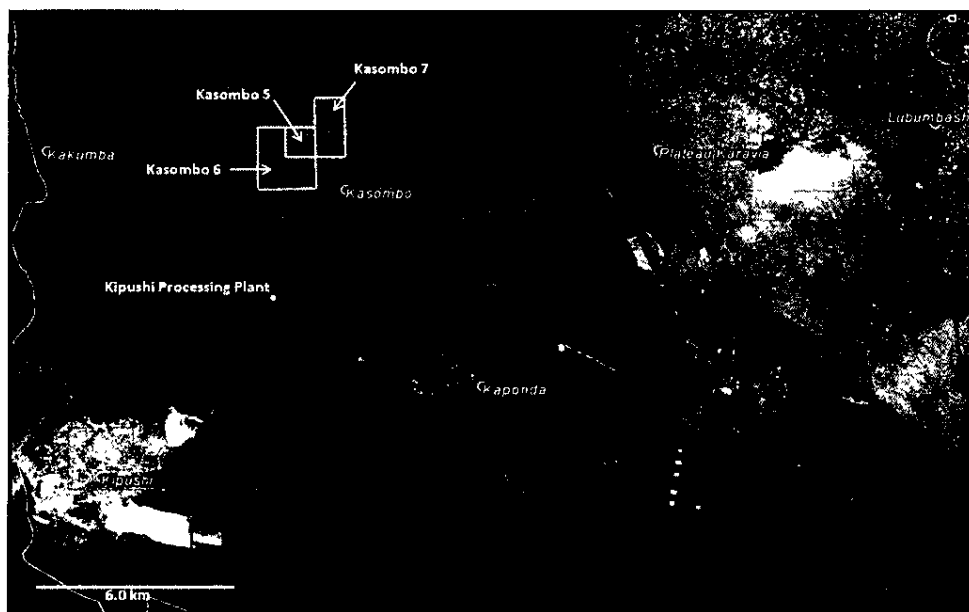


Figure 3: Location of the Kipushi Project, Kasombo Project and Kipushi Processing Plant

### Kipushi Project

The Kipushi tailings dam is located approximately 8km from the Kipushi Processing Plant and extends for over 1.2km in length and over 400m in width. The tailings have a maximum depth of approximately 12m in the centre of the tailings dam and 5m at the boundaries of the tailings dam, with average depths of approximately 8m. Assaying of samples collected from the tailings dam returned Cobalt grades ranging from 0.35% to 0.46% and Copper grades ranging from 0.89% to 1.18% (refer ASX announcement dated 29 March 2017).

The Company reported that it was undertaking metallurgical testwork on the Kipushi tailings at the laboratory of Mintek in South Africa. This test work programme was primarily aimed at a) characterisation of the tailings material by mineralogical and chemical analyses b) production of a bulk copper/cobalt flotation concentrate grading initially 10-12% copper and greater than 2% cobalt; and c) preliminary scoping work on leaching and gravity concentration as potential alternative or supplemental processing routes. Mintek completed the characterization and preliminary flotation testwork that achieved the target concentrate grades but at copper and cobalt recoveries lower than anticipated. Insufficient sample was available to enable Mintek to complete optimisation of flotation test work, so further sample was collected from the Kipushi tailings dam late in the June 2017 quarter and dispatched to Mintek. Due to the lack of timely progress on the optimization testwork however, it was ultimately decided late July 2017 to end the work at Mintek and dispatch the remaining sample to the laboratory of Axis House in Cape Town, South Africa.

Axis House is a major supplier and distributor of chemicals to the mining industry and have fully equipped laboratories, with milling, flotation, sedimentation, leaching and analytical equipment, that enables it to accurately benchmark alternate reagent suites against each other to optimise process recoveries. Axis House had previously conducted testing on the Kipushi tailings for Paragon in 2016. The initial testwork carried out by Axis House confirmed that a saleable concentrate of approximately 10% Copper and 2% Cobalt with recoveries of 57% and 50% respectively could be achieved. Further testwork is planned to further optimise the process to obtain concentrate grades of above 2% Co and 12 % Cu at maximum recovery.

### Kasombo Project

Kasombo is part of the Kasombo Complex, a series of copper-cobalt rich deposits that have been extensively explored by Gecamines and developed and mined by various international companies in joint venture with the State owned mining company La Générale des Carrières et des Mines (**Gecamines**). The Company's technical consultants were able to undertake handheld XRF sampling of artisanal open pit workings and exposed cobalt mineralisation at the Kasombo

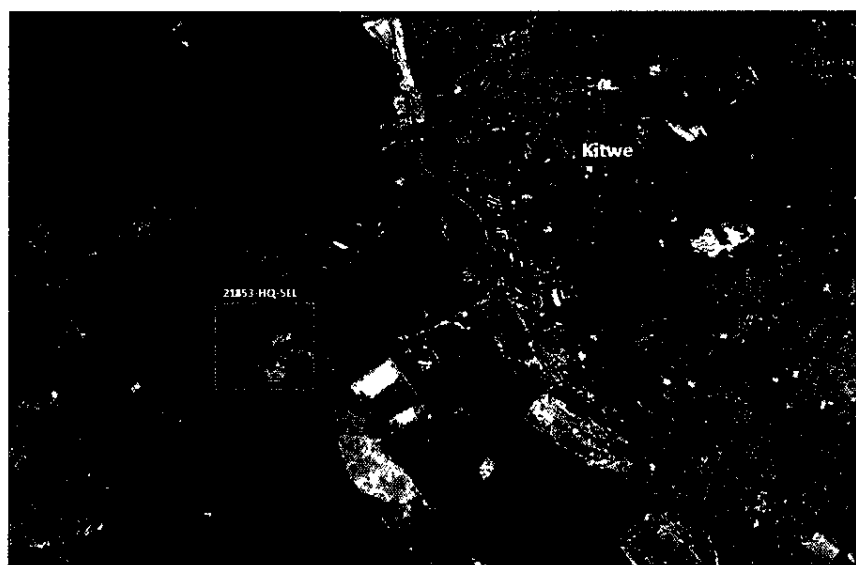
## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

area from surface and to depths of 30m. The results of the XRF sampling were consistent with and confirmed the previously reported mined copper and cobalt grades by Gécamines and Forrest International Group of between 2.7% to 3.7% copper and 3.5% to 5.3% cobalt. Extreme high grade rock samples from Kasombo 7 returned a handheld XRF grades of up to 38% Co (refer ASX announcement dated 22 August 2017).

Independent consultants SRK Consulting (**SRK**) were engaged and commenced a detailed review and analyses of the historical exploration work completed by Gécamines at the Kasombo area, as well as undertaking a geological mapping exercise. A tender process also commenced for a first phase RC drilling programme targeting the areas of known mineralisation at Kasombo.

### Kitwe Tailings Project

In May 2017, the Company announced that it has executed a binding terms sheet to conditionally acquire 70% of the shares in Zambian entity Australian Mining Company Zambia Limited (**AMCZL**), which is the holder of exploration licence No 21853-HQ-SEL (**Licence**). The Licence covers an historic cobalt-copper rich tailings dump located approximately 3km on the outskirts of Kitwe in Zambia (refer **Figure 3** and **Figure 4**). Assays of seven samples collected from the tailings dam returned Cobalt grades in the range of 0.20% to 0.43% and Copper grades ranging from 0.43% to 0.93% (refer ASX announcement dated 22 May 2017).



**Figure 4: Location of the Kitwe Cobalt-Copper Tailings Project**

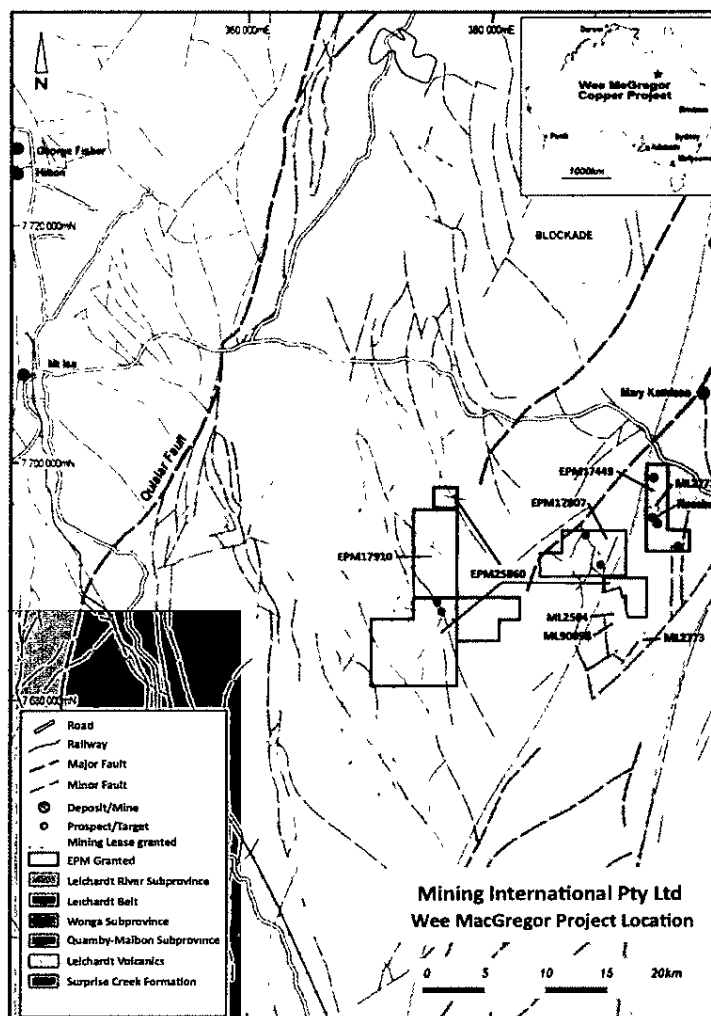
The Company is in the process of finalising the share sale agreement with AMCZL in order to complete the transaction.

### Wee MacGregor Project

Mining International Pty Ltd (**Mining International**) is a fully owned subsidiary of Cape Lambert. The Company holds tenure to 4 mining leases and 4 granted exploration permits for minerals (EPM's) at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer **Figure 5**). The total granted land package covers an area of approximately 124km<sup>2</sup>.

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The eastern-most tenements are located in the Mary Kathleen Zone/Wonga Sub-province. The western group of tenements are located in the Kalkadoon Leichhardt Belt. These areas are prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits

## PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS



**Figure 5: Wee MacGregor Project Location and Geology**

The Wee MacGregor tenements can be classed as brownfields exploration as several copper occurrences and historical workings occur within the tenement boundaries. The largest of these is the Rosebud Mine within ML2773, which has recorded historical production of 20,000t of ore at 7.0% Cu. In addition, there are numerous under-explored geochemical and geophysical anomalies defined by previous explorers.

In its March 2017 quarterly report, the Company announced that Argosy Minerals Limited (ASX: AGY) (Argosy) had withdrawn from the Farm-in agreement for its granted mining licences ML2504, ML2773 and ML90098 and that it had entered in to a new Farm-in agreement with Cobalt X Pty Ltd (Cobalt X) and that Cobalt X was in the process of being acquired by Cohiba Minerals Limited (Cohiba). In July 2017 Cohiba announced that it had completed the acquisition of all the shares in Cobalt X and that it would target high grade mineralisation at Wee McGregor.

During the September 16 quarter, the Company executed a Farm-in agreement with Firebird Pty Ltd for the Lady Ethleen project (ML2771).

Mining International finalised its discussions with the native title holder and executed a Cultural Heritage Management Agreement for mining lease ML2771. Mining International also finalised and executed a Cultural Heritage Management Agreement for the Wee MacGregor tenements.

## DIRECTORS' REPORT

Your Directors submit the financial report of Cape Lambert Resources Limited (**Cape Lambert** or the **Company**) and its controlled entities (collectively referred to as the **Group**) for the year ended 30 June 2017.

### DIRECTORS

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

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Tony Sage  
 Tim Turner  
 Jason Brewer

#### **Tony Sage**                      **Executive Chairman**

Qualifications                      B.Com, FCPA, CA, FTIA

Experience                      Mr Sage has in excess of 30 years' experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining and exploration companies for the last 20 years.

Mr Sage has operated in Argentina, Brazil, Peru, Romania, Russia, Sierra Leone, Guinea, Cote d'Ivoire, Congo, South Africa, Indonesia, China and Australia. Mr Sage is currently Chairman of ASX-listed Australian companies, Cape Lambert Resources Ltd (which was AIM Company of the year in 2008), Cauldron Energy Ltd, European Lithium Limited and Fe Ltd. Mr Sage is also a Non-Executive Director of National Stock Exchange of Australia ("NSX") listed International Petroleum Ltd.

Mr Sage is also the sole owner of A League football club Perth Glory that plays in the National competition in Australia.

Directorships of listed companies held within the last 3 years	Global Strategic Metals Limited <sup>1</sup> June 2012 to August 2014 Cauldron Energy Limited                      June 2009 to Present Fe Limited                      August 2009 to Present International Petroleum Limited <sup>2</sup> January 2006 to Present Kupang Resources Limited <sup>3</sup> September 2010 to August 2015 European Lithium Limited                      September 2016 to Present Caeneus Minerals Limited                      December 2010 to 18 January 2016 <sup>1</sup> Company was delisted August 2014 <sup>2</sup> Listed on the National Stock Exchange of Australia <sup>3</sup> Company was delisted August 2015
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Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares	72,766,681
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## DIRECTORS' REPORT

<b>Tim Turner</b>	<b>Non-Executive Director</b>
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor
Experience	<p>As senior partner with Accounting firm, Hewitt Turner &amp; Gelevitis, Mr Turner is the partner in charge of audit assurance. From superannuation funds, not for profit entities, large proprietary companies, to public companies, Mr Turner is the audit sign off partner. He also has in excess of 25 years' experience in general business consultancy and advisory services to the corporate and business community.</p> <p>Mr Turner has a Bachelor of Business Degree, is a Registered Company Auditor and Approved Superannuation Fund Auditor with ASIC, a Fellow of CPA Australia and a Chartered Tax Advisor.</p>
Directorships of listed companies held within the last 3 years	<p>International Petroleum Limited<sup>1</sup> January 2006 to Present</p> <p>African Petroleum Corporation Limited<sup>2</sup> November 2007 to Present</p> <p>Legacy Iron Ore Limited July 2008 to Present</p> <p><sup>1</sup> Company listed on the National Stock Exchange of Australia</p> <p><sup>2</sup> Company delisted from the National Stock Exchange of Australia December 2015 to list on the Oslo Stock Exchange</p>
Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares 1,523,000
<b>Jason Brewer</b>	<b>Non-Executive Director</b>
Qualifications	M.Eng (ARSM) Hons
Experience	<p>Mr Brewer has over 20 years' international experience in the natural resources sector and in investment banking. He is a mining engineer with a Master's degree in mining engineering with honours from the Royal School of Mines, London. He has experience in a variety of commodities having worked in underground and opencast mining operations in the UK, Australia, Canada and South Africa. In addition he has worked for major global investment banks including Dresdner Kleinwort Benson, NM Rothschild &amp; Sons (Australia) Limited and Investec Bank (Australia) Limited in London, Sydney and Perth where he had particular responsibility for structuring and arranging corporate and project funding facilities for mining companies operating in Asia and Africa.</p>
Directorships of listed companies held within the last 3 years	<p>Black Mountain Resources Limited February 2012 to Present</p> <p>International Goldfields Limited December 2015 to September 2016</p> <p>Kupang Resources Limited<sup>1</sup> September 2010 to August 2015</p> <p>Global Strategic Metals Limited<sup>2</sup> December 2013 to August 2014</p> <p><sup>1</sup> Company was delisted August 2015</p> <p><sup>2</sup> Company was delisted August 2014</p>
Interest in Shares & Options at the date of this report	Fully Paid Ordinary Shares None

**DIRECTORS' REPORT**

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**COMPANY SECRETARY**

Ms Chapman is a certified practising accountant with over 15 years of experience in the mining industry. She has worked extensively in Australia and the United Kingdom. Ms Chapman has a Bachelor of Accounting from Murdoch University and has been a member of CPA Australia since 2000. Melissa has completed a Graduate Diploma of Corporate Governance with the Governance Institute of Australia, and the company directors course with the Australian Institute of Company Directors.

**DIVIDEND AND RETURN OF CAPITAL**

No dividend was declared or paid during the current or prior year.

**REVIEW OF RESULTS AND OPERATIONS****Principal Activity**

The principal activity of the Group during the year was mineral investment, exploration and evaluation.

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

**Review of Operations**

A summary of the most significant transactions during the year ended 30 June 2017 is set out below:

*Listing of European Lithium Ltd*

During the year, European Lithium Ltd (ASX: EUR) (**Euro Lithium**), a company Cape Lambert owns a 14.53% interest in, listed on the Australian Securities Exchange by way of reverse takeover. Following the listing, Euro Lithium announced a resource upgrade at its 100% owned Wolfsberg lithium project which is located in Carinthia, 270 kilometers south of Vienna, Austria.

*Execution of new chairman consultancy agreement*

On 26 August 2016, the Company entered into a new consultancy agreement with Okewood Pty Ltd (Okewood) to provide the services of Chairman of Cape Lambert.

*Unlisted options issued to Gulf Energy*

On 15 December 2016, the Company issued 23,500,000 unlisted options at \$0.05 each expiring on 31 December 2018 to Gulf Energy International Limited (**Gulf Energy**). These options were issued in accordance with the underwriting agreement executed between the Company and Gulf Energy in January 2016.

*Sale of Mayoko Royalty*

On 13 February 2017, the Company announced that it had sold its 100% owned royalty, in the form of a deferred consideration deed, in the Mayoko iron ore project for A\$1,000,000 cash, subject to the formality of the new owners signing off the transaction.

*Cobalt Mining and Tailings Processing Operations - DRC*

On 21 February 2017, the Company announced that it has entered into a binding heads of agreement with Congolese company, Paragon Mining SARL to form a 50/50 joint venture to develop the Kipushi Cobalt copper tailings project, the Kasombo copper-cobalt projects and operate the Kipushi processing plant in the Democratic Republic of Congo (**DRC**).



## DIRECTORS' REPORT

The Company agreed to pay the following consideration to its DRC based advisors and lawyers, Pelesa and Associates, who facilitated the origination, structuring and management of the proposed acquisition, and the Vendors:

- a) US\$50,000 payable on execution of the binding heads of agreement;
- b) US\$100,000 and the issuance of 90,000,000 fully paid ordinary shares in the Company, within five business days of the Company executing the JV Agreement (**Kipushi Consideration Shares**);
- c) US\$150,000 and the issuance of 50,000,000 fully paid ordinary shares in the Company, within five business days of the Company achieving first production at any of the projects; and
- d) the Company granting a 1.00% royalty on all of the Company's attributable revenue from the projects to Pelesa and Associates.

On 12 May 2017, the Company held a general meeting to approve the issue of 90,000,000 shares (being the Kipushi Consideration Shares) upon signing the JV Agreement and proceeded to issue these shares on 7 June 2017.

On 17 May 2017, the Company announced that it had executed the JV Agreement with Paragon. The incorporation of the new joint venture company "Soludo-Lambert Mining SAS" is currently being processed by the Company's lawyers, which is planned to be completed in September 2017, where after the key licenses and permits will be transferred to it.

### *Assignment of Kasombo Project to Fe Limited*

Refer to subsequent event note for details regarding the Company's agreement to assign the rights and obligations to the Kasombo Copper-Cobalt Project (Kasombo Project), as announced 13 July 2017.

### *Kitwe Tailings Project – Zambia*

On 22 May 2017, the Company announced that it had executed a binding terms sheet to conditionally acquire 70% of the shares in Zambian entity Australian Mining Company Zambia Limited (**Seller or AMCZL**), which is the holder of exploration licence No 21853-HQ-SEL (**Licence or Kitwe Project**) (**Acquisition**). The Licence covers an historic cobalt-copper rich tailings dump located near Kitwe in Zambia.

The Kitwe Project is located approximately 3km from the outskirts of Kitwe, in the Copperbelt region of Zambia. Kitwe is the second largest city, in terms of size and population, in Zambia and is one of the most developed commercial and industrial areas in the nation, alongside Ndola and Lusaka. The Copperbelt is centred around the towns of Ndola, Kitwe, Chingola, Luanshya and Mufulira – a string of towns on Zambia's northern border with the Democratic Republic of Congo.

Under the terms of the Binding Terms Sheet, Cape Lambert paid US\$25,000 on execution of the Terms Sheet. On executing the Terms Sheet, Cape Lambert will have 6 months to decide whether it wishes to exercise an option to expend US\$500,000 within 6 months from the date of exercising the option (**Option**).

If Cape Lambert does not exercise the Option, or fails to spend the US\$500,000 within the 6 months option period, then the 70% shareholding will be returned to the Seller.

Should Cape Lambert satisfy the requirements of the Option, then the Seller will also be entitled to Milestone Payments as follows:

- a) US\$50,000 upon AMCZL receiving environmental approvals in the respect of the Project
- b) US\$50,000 upon AMCZL being granted a mining licence in respect of the Project;
- c) US\$50,000 upon AMCZL receiving an export licence.

Upon completion of the Acquisition Cape Lambert will be responsible for managing and funding the development of the Project, with the Seller having a "Free Carry" until a "Decision to Mine" at the Project.

The Acquisition was subject to Cape Lambert completing due diligence on AMCZL and the Project, which it completed by 6 June 2017 (refer ASX announcement dated 6 June 2017) and the execution of a share sale agreement, to be

## DIRECTORS' REPORT

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completed by 31 May 2017, or as extended by agreement of the parties. The execution of the share sale agreement has been extended as agreed between the parties.

### *Offtake and Funding Negotiations*

On 22 June 2017, the Company announced that it had appointed UK-based strategic advisor Metals Risk Management Limited to assist it with finalising its concentrate offtake and funding arrangements for its copper-cobalt projects. Metals Risk Management Limited is a specialist risk advisory company providing independent guidance on price risk management, including concentrate offtake agreements and sales and commodity linked funding structures.

### *Timis Mining Corporation Bridging Finance*

The Company provided Bridging finance of US\$8 million to Timis Mining which was repayable to the Company in October 2015 and incurs interest of 3 month US LIBOR (London interbank offered rate) + 6%. The principal and interest was due to be repaid to Cape Lambert in one payment on 21 October 2015 and could be extended by the parties on mutually agreed terms.

In May 2017, the Company announced that it had commenced legal action against Gerald Metals, Timis Mining Corporation, Frank Timis and others (jointly the **Defendants**) in the High Court of Sierra Leone seeking damages and injunctions against the Defendants (refer ASX announcement dated 15 May 2017), with an interim injunction subsequently granted (refer ASX announcement dated 19 May 2017).

Refer to subsequent event note for an update regarding these legal proceedings.

### *Placement*

During the year, the Company completed a placement of 22,333,333 ordinary fully paid shares at \$0.03 each to raise \$670,000 (**Placement**).

### *Shares issued*

During the year, the Company issued the following:

- 90,000,000 fully paid ordinary shares issued on 7 June 2017, being the Kipushi Consideration Shares; and
- 22,333,333 fully paid ordinary shares issued on 28 June 2017 pursuant to the Placement.

### *Options issued*

During the year, the Company issued 23,500,000 unlisted options exercisable at \$0.05 each expiring on 31 December 2018, being the options issued to Gulf Energy.

### *Options lapsed*

During the year 7,675,000 unlisted options exercisable at \$0.088 each expired on 18 December 2016.

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.

## RESULTS

The Group made a loss after income tax for the year ended 30 June 2017 of \$10,945,226 (2016: loss of \$30,799,674).

**DIRECTORS' REPORT****CHANGES IN STATE OF AFFAIRS**

During the financial year there was no significant change in the state of affairs of the Group other than those referred to in the Review of Operations.

**EVENTS SUBSEQUENT TO BALANCE DATE***Assignment of Kasombo Project to Fe Limited*

On 13 July 2017, the Company announced that it had executed a binding term sheet (**Terms Sheet**) with Fe Limited (**FEL**) whereby Cape Lambert will assign to FEL 100% of the rights and obligations to the Kasombo Copper-Cobalt Project (**Kasombo Project**) (**Kasombo Transaction**) in the DRC. Cape Lambert's rights to the Kasombo Project were established in the 50/50 joint venture agreement with Paragon (detailed above).

In consideration for Cape Lambert assigning its rights in the Kasombo Project to FEL, FEL has agreed to:

- issue 25,000,000 fully paid ordinary shares in FEL at a deemed issue price of \$0.0256 (determined as the volume weighted average closing price of FEL shares as quoted on ASX over the last five trading days immediately preceding the execution of the Terms Sheet) to Cape Lambert (**Consideration Shares**); and
- payment of \$50,000 on execution of the Terms Sheet and payment of \$75,000 on the date which is three months after the settlement date of the Kasombo Transaction to Cape Lambert (together, the **Cash Reimbursement**); and
- issue 10,000,000 fully paid ordinary shares in FEL at a deemed issue price of \$0.0256 to the facilitator of the Kasombo Transaction (**Facilitator Shares**).

Settlement of the Kasombo Transaction is conditional upon:

- FEL receiving shareholder approval in relation to the Kasombo Transaction including approval to issue:
  - the Consideration Shares to Cape Lambert (in accordance with Item 7 of Section 611 of the Corporations Act if required); and
  - the Facilitator Shares;
- completion of the Kasombo transfer to the JV Company in accordance with the terms of the JV Agreement;
- execution by the relevant parties of a formal agreement to more fully document the Kasombo Transaction; and
- receipt of consent from all relevant parties in respect of the Kasombo Transaction,

with each of the above conditions to be completed on or before 30 September 2017 unless otherwise waived or extended by Cape Lambert and FEL.

During the period to settlement of the Kasombo Transaction, Cape Lambert will continue with its obligations under the JV Agreement for conducting the exploration works at the Kasombo Project, with all expenses incurred reimbursed to Cape Lambert by FEL within 7 days of settlement via FEL's payment of the Cash Reimbursement (subject to adjustment to reflect actual reimbursable expenses).

*Update on Proceedings at High Court of Sierra Leone*

In relation to the Timis Mining Corporation Bridging Finance, subsequent to the year end, the Company announced that the High Court of Sierra Leone issued a Court Order in relation to the Notice of Motion lodged by the Plaintiff, which ordered the Parties to proceed to Arbitration if desired, refused the 4<sup>th</sup> Defendant's application for a stay of proceedings and maintained the interlocutory injunction against the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> Defendants that prevents liquidating the 4<sup>th</sup> Defendant's company, pending the hearing and determination of the matter (refer ASX announcement dated 7 July 2017).

The Company is presently in discussions with the Defendants in regards to proceeding to Arbitration.

## DIRECTORS' REPORT

There have been no other events subsequent to 30 June 2017 up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

### LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

### ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with all regulations when carrying out any exploration work. There have been no significant known breaches of the Groups environmental regulations to which it is subject.

### INDEMNIFICATION OF OFFICERS

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

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

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

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to insurers has not been disclosed. This is permitted under section 300(9) of the *Corporations Act 2001*.

### INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

### DIRECTORS' MEETINGS

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

Directors	Board of Directors		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Tony Sage	8	8	-	-	-	-
Tim Turner	8	8	1	1	1	1
Jason Brewer	8	8	1	1	1	1

### REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

**DIRECTORS' REPORT**

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**Remuneration Policy for Directors and Other Key Management Personnel**

The remuneration report details the remuneration arrangements for key management personnel (**KMP**) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Details of Directors and Other Key Management Personnel***Directors*

T Sage – Executive Chairman

T Turner – Non-Executive Director

J Brewer – Non-Executive Director

*Other Key Management Personnel*

J Hamilton – Manager Project Development

M Chapman – Chief Financial Officer and Company Secretary

**Principles used to determine the nature and amount of remuneration**

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

The Board's policy for determining the nature and amount of remuneration for Board members and other key management personnel is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior staff members, was developed by the Executive Chairman and approved by the Board after benchmarking against the market.

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

The Group is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented individuals, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. The Board endorses the use of incentive and bonus payments for directors and senior executives.

Options and performance incentives may also be issued as the Group invests in projects which are subsequently successfully monetised, and key performance indicators such as profits and growth can then be used as measurements for assessing Board performance.

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

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Executive Chairman determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors as approved at the 2009 Annual General Meeting is \$750,000. Any modifications to this amount is subject to approval by shareholders at the Company's Annual General Meeting. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company.

## DIRECTORS' REPORT

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

The remuneration policy aims to increase goal congruence between shareholders and directors via the issue of options to directors to encourage the alignment of personal and shareholder interests. During the financial year, the Company's share price traded between a low of \$0.012 and a high of \$0.042. The price volatility is a concern to the Board but is not considered abnormal for medium sized exploration entities and in the context of volatile global equity markets. In order to keep all investors fully informed and minimise market fluctuations, the Board is determined to maintain promotional activity amongst the investment community so as to increase awareness of the Company and to stabilise the Company's share price in line with a consistent and stable financial position and base value of assets.

	2013	2014	2015	2016	2017
Closing Share Price 30 June	\$0.10	\$0.077	\$0.026	\$0.019	\$0.029
Profit/(loss) for the year attributable to members of Cape Lambert Resources Limited	(\$143,911,775)	(\$24,152,240)	(\$178,909,136)	(\$30,470,607)	(\$10,781,531)
Basic EPS	(\$0.2093)	(\$0.036)	(\$0.2852)	(\$0.0469)	(\$0.0148)

## Details of Remuneration

Remuneration packages contain the key elements incorporated in the Company's Remuneration Policy as detailed above. The following table discloses the remuneration of the directors and key management personnel of the Company:

					% of Total Remuneration			
	Short Term Benefits Cash Salary & Fees \$	Post- employ ment benefits \$	Long term benefit Leave	Share Based Payments – Equity Options <sup>5</sup> \$	Total \$	Fixed %	At Risk Short Term Incentive %	At Risk Long Term Incentive (Options) %
<b>30 June 2017</b>								
<i>Directors</i>								
T Sage	700,000	-	-	(52,906)	647,094	100%	0%	0%
T Turner	60,000	-	-	(21,163)	38,837	100%	0%	0%
J Brewer	48,000	-	-	(21,163)	26,837	100%	0%	0%
<i>Other Key Management Personnel</i>								
J Hamilton	185,250	-	-	(20,898)	164,352	100%	0%	0%
M Chapman <sup>3</sup>	168,783	23,275	20,336	(17,415)	194,979	100%	0%	0%
<b>Total</b>	<b>1,162,033</b>	<b>23,275</b>	<b>20,336</b>	<b>(133,545)</b>	<b>1,072,099</b>	<b>100%</b>	<b>0%</b>	<b>0%</b>
<b>30 June 2016</b>								
<i>Directors</i>								
T Sage	700,000	-	-	30,232	730,232	96%	0%	4%
T Turner	60,000	-	-	12,093	72,093	83%	0%	17%
R Levin <sup>1</sup>	20,000	-	-	19,560	39,560	51%	0%	49%
J Brewer	48,000	-	-	12,093	60,093	80%	0%	20%
<i>Other Key Management Personnel</i>								
J Hamilton	167,250	-	-	14,303	181,553	92%	0%	8%
T Boucher <sup>2</sup>	52,800	-	-	(6,595)	46,205	100%	0%	0%
M Chapman <sup>4</sup>	221,644	23,750	19,230	11,919	276,543	96%	0%	4%
<b>Total</b>	<b>1,269,694</b>	<b>23,750</b>	<b>19,230</b>	<b>93,605</b>	<b>1,406,279</b>	<b>93%</b>	<b>0%</b>	<b>7%</b>

## DIRECTORS' REPORT

For executives who were appointed or resigned during the year, the remuneration reflected above is that from date of appointment or to date of resignation.

**Notes**

<sup>1</sup> Mr R Levin retired effective 26 November 2015.

<sup>2</sup> The consultancy contract between the Company and Mr T Boucher was terminated 30 September 2015.

<sup>3</sup> A portion of Ms M Chapman's salary was recharged to related entity European Lithium Limited and unrelated entities MCS Services Limited and Latin Resources Limited.

<sup>4</sup> A portion of Ms M Chapman's salary was recharged to unrelated entities Latin Resources Limited and MCS Services Limited during the year for accounting, company secretarial and directorship fees. Long term leave balance represents accrued annual leave.

<sup>5</sup> Share options issued to directors and key management personnel during the year ended 30 June 2015 were issued for no consideration with vesting subject to the following performance hurdles being met:

- Divestment (wholly or partially) of Marampa (whether by joint venture, sale or IPO); OR
- Sale of Mayoko royalty; OR
- Sale of any major asset by an associate company in the portfolio of companies managed by CFE.

The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 27 November 2014. The director share options were valued using the Black Scholes option valuation method at \$0.0457 at the grant date of 27 November 2014. The key management personnel share options were valued using the Black Scholes option valuation method at \$0.039 on the date of issue on 27 November 2014. The amount payable upon exercise of each share option is \$0.088 and the share options expired on 18 December 2016 without vesting. The share based payment amount detailed in this table represents the portion of the total value of options recognised as a share based payment expense in the relevant year or the amount reversed as a result of the options not vesting.

**Additional disclosures relating to options and shares***Options awarded, vested and lapsed*

There were no share options granted to executives as remuneration during the years ended 30 June 2017 and 30 June 2016.

The table below discloses the number of those prior year granted options that vested or lapsed during the current year ended 30 June 2017. Shares options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Year granted	Options awarded No.	Award date	Fair value per options at award date	Vesting date	Exercise price	Expiry date	No. lapsed during the current year
<i>Directors</i>								
T Sage	2015	1,500,000	27 Nov 2014	\$0.0457	Note 1	\$0.088	18 Dec 2016	(1,500,000)
T Turner	2015	600,000	27 Nov 2014	\$0.0457	Note 1	\$0.088	18 Dec 2016	(600,000)
R Levin	2015	600,000	27 Nov 2014	\$0.0457	Note 1	\$0.088	18 Dec 2016	(600,000)
J Brewer	2015	600,000	27 Nov 2014	\$0.0457	Note 1	\$0.088	18 Dec 2016	(600,000)
<i>Other Key Management Personnel</i>								
J Hamilton	2015	600,000	27 Nov 2014	\$0.039	Note 1	\$0.088	18 Dec 2016	(600,000)
M Chapman	2015	500,000	27 Nov 2014	\$0.039	Note 1	\$0.088	18 Dec 2016	(500,000)

**Note 1**

Vesting conditions:

The share options issued to directors and key management personnel during the year ended 30 June 2015 were issued for no consideration with vesting subject to the following performance hurdles being met:

- Divestment (wholly or partially) of Marampa (whether by joint venture, sale or IPO); or

## DIRECTORS' REPORT

- Sale of Mayoko royalty; or
- Sale of any major asset by an associate company in the portfolio of companies managed by CFE.

The share options issued were approved by the Company's shareholders at the Annual General Meeting of the Company's shareholders held on 27 November 2014.

*Option holdings of directors and key management personnel*

	Balance 1-Jul-16 No.	Granted as remuneration No.	Lapsed during the year No.	Exercised during the year No.	Other No.	Balance 30-Jun-17 No.	Vested and exercisable 30-Jun-17 No.
<i>Directors</i>							
T Sage	1,500,000	-	(1,500,000)	-	-	-	-
T Turner	600,000	-	(600,000)	-	-	-	-
J Brewer	600,000	-	(600,000)	-	-	-	-
<i>Other Key Management Personnel</i>							
J Hamilton	600,000	-	(600,000)	-	-	-	-
M Chapman	500,000	-	(500,000)	-	-	-	-
	<u>3,800,000</u>	<u>-</u>	<u>(3,800,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no shares issued on the exercise of options during the year.

*Share holdings of directors and key management personnel*

Details of fully paid ordinary shares of Cape Lambert Resources Limited held by directors and key management personnel are set out below:

	Balance 1-Jul-16 No.	Share based payment received No.	Received on exercise of options No.	On market purchases No.	On market sales No.	Off market purchase No.	Balance 30-Jun-17 No.
<i>Directors</i>							
T Sage	72,766,681	-	-	-	-	5,000,000	77,766,681
T Turner	1,523,000	-	-	-	-	-	1,523,000
J Brewer	-	-	-	-	-	-	-
<i>Other Key Management Personnel</i>							
J Hamilton	-	-	-	-	-	-	-
M Chapman	900,000	-	-	-	-	-	900,000
	<u>75,189,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>80,189,681</u>

**Other transactions with director related entities**

		Sales to related parties	Purchases from related parties	Consulting fees paid	Amounts owed by related parties	Amounts owed to related parties
<i>Director related entities:</i>						
Perth Fashion Festival Pty Ltd	2017	-	7,758	-	-	-
Perth Fashion Festival Pty Ltd	2016	-	7,887	-	-	-
Perth Glory Football Club	2017	-	56,700	-	-	-
Perth Glory Football Club	2016	-	54,473	-	2,587	-
Okewood Pty Ltd	2017	-	568,020	700,000	4,054	-
Okewood Pty Ltd	2016	-	575,470	700,000	-	-



**DIRECTORS' REPORT**

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Perth Fashion Festival Pty Ltd, Okewood Pty Ltd and Okewood Pty Ltd trading as Perth Glory Football Club are entities controlled by Tony Sage. During the year ended 30 June 2017 a total amount of \$56,700 (30 June 2016: \$54,473) was paid to Okewood Pty Ltd for a corporate box and events of the Perth Glory Football Club. During the year ended 30 June 2017 a total amount of \$7,758 (30 June 2016: \$7,887) was paid to Perth Fashion Festival Pty Ltd for events held by the Perth Fashion Festival.

*Office lease agreement with Okewood Pty Ltd*

On 1 April 2012 the Company entered into a lease agreement with Okewood Pty Ltd, a company owned by Tony Sage, for the lease of 32 Harrogate Street, West Leederville WA 6007, as varied by a deed of variation dated 22 June 2015 (**Lease Agreement**). The term of the Lease Agreement is 1 April 2012 to 31 March 2020 with an option to extend. The lease is based on an area of 1,148m<sup>2</sup> at a rent of \$459,200 (excluding GST) per annum, subject to an annual CPI increase, with variable outgoings and parking charged separately at market rates. The Company has entered into a series of sub-lease agreements whereby the Company is entitled to receive rental income. The above minimum lease payments have not been adjusted for any sub-lease rental income payments.

**Service Agreements**Executive Director

On 26 September 2013, the Company entered into a consultancy contract with the Executive Chairman, Tony Sage for a period of 3 years from 28 August 2013. Pursuant to the terms of the contract, Mr Sage is paid an annual fee of \$700,000 per annum (plus GST) for performing the role as Executive Chairman of the Company with the specific responsibility for all negotiations and strategic networking to facilitate the acquisition and disposal of assets of the Company. Under that contract, Mr Sage is not entitled to any set long or short term bonus or incentive. For the avoidance of doubt, there is no fixed formula under which any incentives or bonuses are payable by the Company to Mr Sage. During the term of the contract, the Remuneration Committee may consider incentive plans and bonus structures that will be focussed on the Executive Chairman achieving performance hurdles based on a material increase in the net market capitalisation of the Company and returns to shareholders of the Company, such as dividends. The contract may be terminated by either party, without cause, providing 3 months' notice (or payment in lieu).

Upon expiry of the Executive Chairman contract on 28 August 2016, the Company has entered into a new 3 year consultancy contract. The key terms of the new contract are consistent with those of the existing one with the exception of the inclusion of an incentive structure of 10-20%, subject to Remuneration Committee approval, which is dependent on the achievement of all key performance milestones detailed in the consultancy contract.

Non-Executive Directors

The engagement conditions of non-executive director Tim Turner were approved by the Board on 30 November 2007. A fee of \$60,000 per annum plus GST was subsequently approved by the Board on 28 August 2009.

The engagement conditions of non-executive director Jason Brewer were approved by the Board on commencement of engagement on 31 December 2013 with a fee of \$48,000 plus GST per annum.

Other Key Management Personnel

The engagement conditions of contractor J Hamilton were approved by the Board on commencement of his engagement in April 2006. A subsequent review was undertaken and a fee of \$1,500 per day plus GST was approved.

M Chapman was appointed as Company Secretary effective 31 January 2014 and a total remuneration package of \$250,000 plus statutory superannuation per annum was agreed. A portion of Ms M Chapman's salary has been recharged to related party European Lithium Limited and unrelated entities Latin Resources Limited and MCS Services Limited during the year.

## DIRECTORS' REPORT

### 2016 Annual General Meeting

The Company received 66.19% of 'yes' votes and 33.97% 'no' votes on its remuneration report for the year ending 30 June 2017.

In accordance with the Corporations Act, if at least 25% of the votes cast are voted against adoption of the remuneration report at two consecutive annual general meetings, the Company will be required to put to shareholders a resolution proposing the calling of a general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting. If more than 50% of the votes cast are in favour of the Spill Resolution, the Company must convene a further general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

At the Company's 2015 and 2016 Annual General Meeting, the votes cast against the remuneration report considered at the Annual General Meeting were more than 25%, constituting a first and second strike. Consequently, at the 2016 Annual General Meeting the Company put a Spill Resolution to shareholders. At the Company's 2016 AGM, the Company received 65.07% 'no' votes against the Spill Resolution therefore a Spill Meeting was not required to be convened.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings. The Group was not a party to any such proceedings during the year.

### Non Audit Services

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

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

During the current year \$30,268 was paid or payable (2016: \$59,123) to the auditor or its related practices for any non-audit services.

### Share Options

#### Share Options Granted to Directors and Employees and Consultants

During the financial year, there were nil share options granted to directors, employees and consultants (30 June 2016: Nil). A total of 3,800,000 (30 June 2016: 1,750,000) of such options were forfeited or lapsed during the current year and nil (30 June 2016: nil) were forfeited or lapsed subsequent to balance date.

#### Share Options on Issue at Year End

Unissued ordinary shares of Cape Lambert under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares	Number under option
14 December 2016	31 December 2018	\$0.05	23,500,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity. No shares were issued during the current year as a result of the exercise of options.

DIRECTORS' REPORT

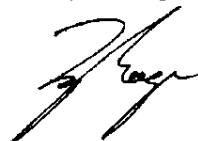
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Since 30 June 2017, nil share options have been exercised for total consideration of nil. No amounts are unpaid on any of the shares.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 21 for the year ended 30 June 2017.

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



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Tony Sage  
Director

Dated this 30 September 2017

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

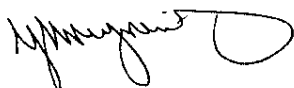
As lead auditor for the audit of Cape Lambert Resources Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



G H Meyerowitz  
Partner  
30 September 2017

## CORPORATE GOVERNANCE STATEMENT

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In March 2014, the ASX Corporate Governance Council released a third edition of the ASX Corporate Governance Council's Principles and Recommendations (**ASX Principles**).

The Company's Corporate Governance Statement for the year ended 30 June 2017 (which reports against these ASX Principles) may be accessed from the Company's website at [www.capelam.com.au](http://www.capelam.com.au).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Revenue	3(a)	678,328	879,205
Other income	3(b)	659,974	977,908
Share based payments		266,775	(166,587)
Directors remuneration and employee benefits expenses		(1,847,419)	(1,510,483)
Consulting and professional services		(1,232,790)	(934,258)
Occupancy expenses	3(d)	(1,096,276)	(1,266,875)
Compliance and regulatory expenses		(212,982)	(190,287)
Travel and accommodation		(250,203)	(203,119)
Depreciation and amortisation expense	3(c)	(257,991)	(615,856)
Gain on fair value of financial assets through profit and loss	3(f)	153,391	324,621
Finance expenses		(2,050)	-
Other expenses	3(e)	(750,730)	(704,409)
Loss on sale of shares		-	(20,865)
Impairment on fixed assets	10	(35,932)	(742,378)
Impairment of receivable		(354,317)	(174,386)
Write off office security bond		(20,573)	-
Impairment of loans	7	(159,250)	(19,184)
Impairment of VAT receivable		-	(39,253)
Reversal/(Impairment) of interest receivable		(107,881)	71,971
Impairment of capitalised exploration	12	-	(3,295,324)
De-recognition of capitalised exploration	12	(2,837,518)	(19,116,791)
Reversal/(Impairment) of investment in associate	13(e)	2,652,243	(3,427,549)
Reversal/(Impairment) of investment		(30,000)	-
Share of net losses of associates accounted for using the equity method	13(b)	(2,555,741)	(625,774)
Gain on dilution of interest in associate		1,623,455	-
<b>Profit/(loss) before income tax</b>		<b>(5,717,487)</b>	<b>(30,799,674)</b>
Income tax (expense)/benefit	4	(5,227,739)	-
<b>Net loss for the year</b>		<b>(10,945,226)</b>	<b>(30,799,674)</b>
<b>Other comprehensive income/(expenditure) net of tax</b>			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Foreign exchange differences arising on translation of foreign operations		193,399	914,783
Share of reserves of associates accounted for using the equity method		131,460	164,843
Fair value gain/(loss) on available for sale financial assets		(1,750)	1,750
<b>Total comprehensive loss for the year</b>		<b>(10,622,117)</b>	<b>(29,718,299)</b>
Loss for the year attributable to:			
Members of Cape Lambert Resources Ltd		(10,781,531)	(30,470,607)
Non-controlling interests		(163,695)	(329,067)
		<b>(10,945,226)</b>	<b>(30,799,674)</b>
Total comprehensive loss for the year attributable to:			
Members of Cape Lambert Resources Ltd		(10,458,422)	(29,389,232)
Non-controlling interests		(163,695)	(329,067)
		<b>(10,622,117)</b>	<b>(29,718,299)</b>
Loss per share attributable to members of Cape Lambert Resources Ltd:			
Basic loss per share (cents per share)	19	(1.48)	(4.69)
Diluted loss per share (cents per share)	19	(1.48)	(4.69)

*The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2017**

	Note	2017 \$	2016 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	26(a)	1,110,287	5,614,871
Restricted cash and cash equivalents	9	104,617	1,001,470
Trade and other receivables	7	788,077	1,264,580
<b>TOTAL CURRENT ASSETS</b>		<b>2,002,981</b>	<b>7,880,921</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	8	1,208,188	1,519,276
Investments accounted for using equity method	13	3,417,907	1,371,805
Restricted cash	9	81,833	81,833
Plant and equipment	10	131,033	389,333
Deferred expenses	11	2,715,801	-
Exploration and evaluation expenditure	12	33,551	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>7,588,313</b>	<b>3,362,247</b>
<b>TOTAL ASSETS</b>		<b>9,591,294</b>	<b>11,243,168</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	6,608,125	5,278,247
Application funds	9(b)	60,000	968,131
Provisions	15	334,841	558,916
Provision for income tax	4	5,227,739	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>12,230,705</b>	<b>6,805,294</b>
<b>NON CURRENT LIABILITIES</b>			
Provisions	15	-	4,454
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>4,454</b>
<b>TOTAL LIABILITIES</b>		<b>12,230,705</b>	<b>6,809,748</b>
<b>NET ASSETS/(NET LIABILITIES)</b>		<b>(2,639,411)</b>	<b>4,433,420</b>
<b>EQUITY</b>			
Issued capital	16	196,771,578	193,581,578
Reserves	17	23,320,641	23,054,799
Accumulated losses	18	(222,948,696)	(212,167,165)
Parent interests		(2,856,477)	4,469,212
Non-controlling interest		217,066	(35,792)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<b>(2,639,411)</b>	<b>4,433,420</b>

*The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2017**

Note	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Foreign Currency Translation Reserve \$	Equity Reserve \$	Parent Equity Interest Total \$	Non- controllin g interest \$	Total \$
<b>Balance at 1 July 2016</b>	<b>193,581,578</b>	<b>(212,167,165)</b>	<b>2,434,680</b>	<b>1,750</b>	<b>22,007,507</b>	<b>(1,389,138)</b>	<b>4,469,212</b>	<b>(35,792)</b>	<b>4,433,420</b>
Loss for the year	-	(10,781,531)	-	-	-	-	(10,781,531)	(163,695)	(10,945,226)
Other comprehensive income									
Share of reserves of associates	17	-	-	-	131,460	-	131,460	-	131,460
Forex (gain) / loss on translation of foreign operations	17	-	-	-	193,399	-	193,399	-	193,399
Fair value gain on available for sale financial assets		-	-	(1,750)	-	-	(1,750)	-	(1,750)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>(10,781,531)</b>	<b>-</b>	<b>(1,750)</b>	<b>324,859</b>	<b>-</b>	<b>(10,458,422)</b>	<b>(163,695)</b>	<b>(10,622,117)</b>
<i>Transactions with owners in their capacity as owners</i>									
Placement of shares (net of costs)	16	3,190,000	-	-	-	-	3,190,000	-	3,190,000
Share based payments expense		-	(266,775)	-	-	-	(266,775)	-	(266,775)
Increase in non-controlling interest		-	-	-	-	209,508	209,508	416,553	626,061
<b>Transactions with equity holders in their capacity as owners</b>	<b>3,190,000</b>	<b>-</b>	<b>(266,775)</b>	<b>-</b>	<b>-</b>	<b>209,508</b>	<b>3,132,733</b>	<b>416,553</b>	<b>3,549,286</b>
<b>Balance at 30 June 2017</b>	<b>196,771,578</b>	<b>(222,948,696)</b>	<b>2,167,905</b>	<b>-</b>	<b>22,332,366</b>	<b>(1,179,630)</b>	<b>(2,856,477)</b>	<b>217,066</b>	<b>(2,639,411)</b>

*The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes*



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2017**

Note	Issued Capital \$	Accumulated Losses \$	Share Based Payment Reserve \$	Available for Sale Reserve \$	Foreign Currency Translation Reserve \$	Equity Reserve \$	Parent Equity Interest Total \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2015</b>	<b>189,786,328</b>	<b>(181,696,558)</b>	<b>2,079,450</b>	<b>-</b>	<b>21,116,525</b>	<b>(1,603,919)</b>	<b>29,681,826</b>	<b>76,596</b>	<b>29,758,422</b>
Loss for the year	-	(30,470,607)	-	-	-	-	(30,470,607)	(329,067)	(30,799,674)
<i>Other comprehensive income</i>									
Foreign exchange differences arising on translation of foreign operations	17	-	-	-	914,783	-	914,783	-	914,783
Share of associate's reserves	17	-	-	188,643	(23,801)	-	164,842	-	164,842
Fair value gain on available for sale financial assets		-	-	1,750	-	-	1,750	-	1,750
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>(30,470,607)</b>	<b>188,643</b>	<b>1,750</b>	<b>890,982</b>	<b>-</b>	<b>(29,389,232)</b>	<b>(329,067)</b>	<b>(29,718,299)</b>
<i>Transactions with owners in their capacity as owners</i>									
Placement of shares (net of costs)	16	3,795,250	-	-	-	-	3,795,250	-	3,795,250
Share based payments expense		-	-	166,587	-	-	166,587	-	166,587
Increase in non-controlling interest		-	-	-	-	214,781	214,781	216,679	431,460
<b>Transactions with equity holders in their capacity as owners</b>	<b>3,795,250</b>	<b>-</b>	<b>166,587</b>	<b>-</b>	<b>-</b>	<b>214,781</b>	<b>4,176,618</b>	<b>216,679</b>	<b>4,393,297</b>
<b>Balance at 30 June 2016</b>	<b>193,581,578</b>	<b>(212,167,165)</b>	<b>2,434,680</b>	<b>1,750</b>	<b>22,007,507</b>	<b>(1,389,138)</b>	<b>4,469,212</b>	<b>(35,792)</b>	<b>4,433,420</b>

*The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes*

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2017**

	<b>Note</b>	<b>2017 \$</b>	<b>2016 \$</b>
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers and employees (inclusive of GST)		(3,263,674)	(4,719,529)
Interest received		34,378	98,269
<b>Net cash used in operating activities</b>	<b>26(b)</b>	<b>(3,229,296)</b>	<b>(4,621,260)</b>
<b>CASHFLOWS FROM INVESTING ACTIVITIES</b>			
Payment for acquiring interests in associated entities	13(b)	(194,687)	(14,089)
Payments for other investments		(36,437)	-
Payments for exploration and evaluation		(2,904,040)	(4,644,768)
Deferred expenses		(98,233)	-
Proceeds on sale of exploration project		-	1,003,821
Purchase of property, plant and equipment	10	-	457
Receipt/(payment) in respect of convertible loan notes	7(b)	-	156,750
Loans to other entities	7(b)	-	(50,000)
Repayment of loans received	7(b)	-	200,000
Purchase of equity investments in listed entities	8	(100,000)	(30,000)
Proceeds from sale of equity investments		683,067	201,270
Proceeds from sale of property, plant and equipment		42,540	139,773
<b>Net cash from/(used in) investing activities</b>		<b>(2,607,790)</b>	<b>(3,036,786)</b>
<b>CASHFLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of shares, net of costs	16	670,000	3,795,250
Proceeds from share issue of subsidiary		662,500	-
Proceeds from issuing loan note		-	431,460
<b>Net cash from/(used in) financing activities</b>		<b>1,332,500</b>	<b>4,226,710</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(4,504,586)</b>	<b>(3,431,336)</b>
Cash and cash equivalents at beginning of period		5,614,871	9,033,714
Foreign exchange gain		2	12,493
<b>Cash and cash equivalents at end of period</b>	<b>26(a)</b>	<b>1,110,287</b>	<b>5,614,871</b>

*The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**1. CORPORATE INFORMATION**

The consolidated financial statements of Cape Lambert Resources Limited and its subsidiaries (collectively, the **Group**) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 30 September 2017.

Cape Lambert Resources Limited (the **Company** or the **Parent**) is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature and operations and principal activities of the Group are described in the directors' report.

Information of the Group's structure is provided in Note 23. Information on other related party relationships is provided in Note 25.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars.

The Group is a for-profit public listed company, incorporated and domiciled in Australia.

**(b) 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.

At 30 June 2017 the Group had cash and cash equivalents of \$1,110,287 (30 June 2016: \$5,614,871), a net current liability position of \$10,227,724 (30 June 2016: net current assets of \$1,075,627) and net deficiency of assets of \$2,639,411 (30 June 2016: net assets of \$4,433,420).

The ability of the Group to fulfil its proposed activities in the next 12 months will depend on the realisation of certain of the Group's assets, the ability to secure other sources of funding, including share placements, offtake financing arrangements, and the successful outcome of the ongoing settlement negotiations with the Australian Taxation Office as disclosed in Note 4 to the financial statements. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations and the Group will be able to meet its obligations as and when they fall due because the directors are confident that the Group will be able to realise certain of its assets and/or seek alternative sources of funding as outlined above.

Should the Group not achieve the matters set out above, there is uncertainty whether the Group would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The consolidated financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(c) Compliance with IFRS**

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

**(d) Changes in accounting policy, disclosures, standards and interpretations***Changes in accounting policies on initial application of Accounting Standards*

The accounting policies adopted are consistent with those of the previous financial year. From 1 July 2016, the Group has adopted all the standards and interpretations mandatory for annual periods effective from 1 July 2016. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

The following relevant standards and interpretations have been applied for the first time for the year ended 30 June 2017:

Reference	Title
AASB 2014-3	<p><i>Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i></p> <p>The amendments require an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in AASB 3 <i>Business Combinations</i> and other Australian Accounting Standards that do not conflict with the requirements of AASB 11 <i>Joint Arrangements</i>.</p>
AASB 2014-4	<p><i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>The amendments clarify the principle in AASB 116 <i>Property, Plant and Equipment</i> and AASB 138 <i>Intangible Assets</i> that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.</p>
AASB 2015-1	<p><i>Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle</i></p> <p>The amendments clarify certain requirements in:</p> <ul style="list-style-type: none"> <li>▶ AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – Changes in methods of disposal</li> <li>▶ AASB 7 <i>Financial Instruments: Disclosures</i> – servicing contracts; applicability of the amendments to AASB 7 to condensed interim financial statements</li> <li>▶ AASB 119 <i>Employee Benefits</i> – regional market issue regarding discount rate</li> <li>▶ AASB 134 <i>Interim Financial Reporting</i> – disclosure of information ‘elsewhere in the interim financial report’</li> </ul>
AASB 2015-2	<p><i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p> <p>This Standard amends AASB 101 <i>Presentation of Financial Statements</i> to clarify existing presentation and disclosure requirements and to ensure entities are able to use judgement when applying the</p>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reference	Title
	Standard in determining what information to disclose, where and in what order information is presented in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures.

*New accounting standards and interpretations issued but not yet effective*

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ended 30 June 2017:

Reference	Title	Summary	Application date of standard*	Application date for CFE*
AASB 2016-1	<i>Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses</i>	This Standard makes amendments to AASB 112 <i>Income Taxes</i> to clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.	1 January 2017	1 July 2017
AASB 2016-2	<i>Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i>	The amendments to AASB 107 <i>Statement of Cash Flows</i> are part of the IASB's Disclosure Initiative and help users of financial statements better understand changes in an entity's debt. The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).	1 January 2017	1 July 2017
AASB 2017-2	<i>Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle</i>	This Standard clarifies the scope of AASB 12 <i>Disclosure of Interests in Other Entities</i> by specifying that the disclosure requirements apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> .	1 January 2017	1 July 2017
AASB 9	<i>Financial Instruments</i>	AASB 9 replaces AASB 139 <i>Financial Instruments: Recognition and Measurement</i> . Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.  Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.	1 January 2018	1 July 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for CFE*
		<p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.</p> <p>Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p> <p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>		
AASB 15	<i>Revenue from Contracts with Customers</i>	<p>The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers revenue arising from the sale of goods and the rendering of services and AASB 111 which covers construction contracts.</p> <p>The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.</p> <p>The standard permits either a full retrospective or a modified retrospective approach for the adoption.</p>	1 January 2018	1 July 2018

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for CFE*
		The Group is in the process of assessing the impact of the new standard.		
AASB 16 (issued February 2016)	<i>Leases</i>	<p>AASB 16 eliminates the operating and finance lease classifications for lessees currently accounted for under AASB 117 <i>Leases</i>. 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 AASB 117. 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.</p> <p>There are some optional exemptions for leases with a period of 12 months or less and for low value leases</p> <p>Lessor accounting remains largely unchanged from AASB 117.</p>	1 January 2019	1 July 2019
AASB 2014-10	<i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<p>The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 <i>Business Combinations</i>. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture</p> <p>AASB 2015-10 defers the mandatory effective date (application date) of AASB 2014-10 so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018**** instead of 1 January 2016.</p>	1 January 2018	1 July 2018
AASB 2016-5	<i>Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions</i>	<p>This Standard amends AASB 2 <i>Share-based Payment</i>, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>• The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>• Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>• A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 January 2018	1 July 2018
Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>	The Interpretation clarifies the application of the recognition and measurement criteria in AASB 12 <i>Income Taxes</i> when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:	1 January 2019	1 July 2019

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard*	Application date for CFE*
		<ul style="list-style-type: none"> <li>Whether an entity considers uncertain tax treatments separately</li> <li>The assumptions an entity makes about the examination of tax treatments by taxation authorities</li> <li>How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>How an entity considers changes in facts and circumstances.</li> </ul>		

\* Designates the beginning of the applicable annual reporting period unless otherwise stated.

The Group is in the process of determining the impact of the above on its financial statements. The Group has not elected to early adopt any new Standards or Interpretations.

#### (e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Cape Lambert Resources Limited (**Cape Lambert**) and its subsidiaries as at 30 June 2017 (the **Group**).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

Business combinations are accounted for using the acquisition method.

**(f) Associates**

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in statement of comprehensive income and reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

**(g) Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position. Restricted cash relates to term deposits held with various financial institutions as security for bank guarantees.

**(h) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(i) Property, Plant and Equipment**

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

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

The following estimated useful lives are used in the calculation of depreciation:

Office equipment	3 years
Plant and equipment	3 years
Motor vehicles	3 years
Furniture and fittings	5 years
Leasehold improvements	over the period of the lease

**(j) Financial Assets**

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The Group has the following financial assets:

***Financial Assets at Fair Value through Profit or Loss***

Certain shares and options held for trading have been classified as financial assets at fair value through profit or loss. Financial assets held for trading purposes are stated at fair value, with any resultant gain or loss recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. Assets in this category are classified as current assets if they are expected to be realised within 12 months otherwise they are classified as non-current assets.

***Loans and Receivables***

Trade receivables, loans, and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are recorded at amortised cost less impairment. Impairment is determined by review of the nature and recoverability of the loan or receivable with reference to its terms of repayments and capacity of the debtor entity to repay the debt. If the recoverable amount of a receivable is estimated to be less than its carrying amount, the carrying amount of receivable is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately. They are included in current assets, other than those with maturities greater than 12 months from reporting date which are classified as non-current assets.

***Available for sale financial assets***

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

the gain or loss on disposal or the impairment is recognised in the profit or loss. They are included in non-current assets unless management intends to dispose of the investment within 12 months.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

### (k) Debt and Equity Instruments Issued by the Group

#### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Interest and dividends*

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

### (l) Foreign Currency

#### *Foreign currency transactions and balances*

All foreign currency transactions occurring during the financial year are recognised at the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in the profit or loss in the period in which they arise except those exchange differences which relate to assets under construction for future productive use which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

#### *Functional and presentation currency*

Items included in the financial statements of each of the companies within the Group are measured using the currency of the primary economic environment in which they operate (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Cape Lambert's functional and presentation currency.

#### *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

**(m) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**(n) Employee Benefits**

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

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

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

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

Refer also to note 2(s) for accounting policy regarding share based payments.

**(o) Provisions**

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

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

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

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

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

**(p) Impairment of non-current assets**

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units) Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

**(q) Income Tax*****Current Tax***

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

***Deferred Tax***

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis. The Group has implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

***Current and deferred tax for the period***

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

**(r) Revenue recognition**

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*****Interest Revenue***

Interest revenue is recognised using the effective interest rate method.

**(s) Share-based Payments**

Equity-settled share-based payments are measured at fair value at the date of grant. Fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability and exercise restrictions.

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

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

**(t) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest where right of tenure is current and active and significant operations are continuing in the area of interest. Costs associated with these identifiable areas of interests are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full in the statement of profit or loss and other comprehensive income in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

**(u) Earnings per Share**

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

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

**(v) Business Combinations**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Any contingent consideration to be transferred by the acquiree is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

**(w) Leases**

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

**(x) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**(y) Parent entity financial information**

The financial information for the parent entity, Cape Lambert Resources Limited, disclosed in note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below:

***Investments in subsidiaries and associates***

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

***Tax consolidation legislation***

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

**(aa) Dividends**

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

**(ab) Critical Judgements in Applying the Group's Accounting Policies**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

***Exploration and Evaluation***

The Group's accounting policy for exploration and evaluation is set out at note 2(t). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves may be determined. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure, it is determined that recovery of the expenditure by future exploitation or sale is unlikely, then the relevant capitalised amount is written off in the statement of profit or loss and other comprehensive income.

***Income taxes***

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations.

Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group estimates its tax liabilities based on the Group's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Group recognises deferred tax assets relating to carried forward tax losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. However, utilisation of the tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

***Impairment***

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined.

As at 30 June 2017, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**3. PROFIT/(LOSS) FROM OPERATIONS**

	2017 \$	2016 \$
<b>(a) Revenue</b>		
Interest income	87,666	308,923
Rental revenue	590,662	570,282
	<u>678,328</u>	<u>879,205</u>
<b>(b) Other income</b>		
Unrealised foreign currency exchange gain/(loss)	(19,065)	(8,998)
Foreign currency exchange gain/(loss)	(12,537)	52,773
Gain on sale of financial assets	-	50,684
Gain on sale of fixed assets	95,570	140,425
Gain on sale of tenements	138,783	50,000
Gain on sale of interest in Central African Resources Limited	-	547,278
Other income	457,223	145,746
	<u>659,974</u>	<u>977,908</u>
<b>(c) Depreciation and amortisation expense</b>		
Depreciation of plant and equipment	(100,181)	(322,106)
Amortisation of leasehold improvements	(157,810)	(293,750)
	<u>10 (257,991)</u>	<u>(615,856)</u>
<b>(d) Occupancy expenses</b>		
Rental expense relating to operating leases - minimum lease payments	(891,509)	(958,741)
Other occupancy expenses	(550,622)	(538,320)
Provision for end of lease obligations	(125,805)	-
Movement in provision for onerous lease contracts	471,660	230,186
	<u>(1,096,276)</u>	<u>(1,266,875)</u>
<b>(e) Other expenses</b>		
Administration expenses	(530,454)	(490,477)
Exploration expenditure expensed/(reversed)	(212,155)	16,860
Other expenses	(8,121)	(230,792)
	<u>(750,730)</u>	<u>(704,409)</u>
<b>(f) Gain / (loss) on fair value of financial assets through profit and loss</b>		
Gain / (loss) fair value of financial assets (shares in listed entities) through profit and loss	8(a) 153,391	324,621
	<u>153,391</u>	<u>324,621</u>

**4. INCOME TAXES**

	2017 \$	2016 \$
Major components of income tax expense for the year are:		
<b>Income statement</b>		
Current income		
Current income tax charge / (benefit)	5,227,739	-
Income tax (benefit) / expense reported in income statement	<u>5,227,739</u>	<u>-</u>
<b>Statement of changes in equity</b>		
Income tax expense reported in equity	<u>-</u>	<u>-</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company is currently the subject of an audit by the Commissioner of Taxation (**Commissioner**) regarding various taxation matters, covering the 2011 - 2015 income years (**Audit Matters**). The key issue in dispute is the tax treatment of the disposal of certain assets.

The Company is currently in advanced discussions with the Commissioner, in an effort to reach a negotiated settlement of the Audit Matters. The Company made a without prejudice proposal to the Commissioner, pursuant to which the Company would pay \$770k to fully and finally settle the Audit Matters (**The Company's Settlement Offer**). The Commissioner rejected this offer and countered with a without prejudice settlement proposal (**Commissioner's Settlement Offer**) of approximately \$5.3m.

As at 29 September 2017, the Company has been invited by the Commissioner to provide its "best and final response" to the Commissioner's Settlement Offer. The Company will make this offer to the Commissioner by Thursday, 5 October 2017 and expects to receive a response from the Commissioner the following day. The offer made by the Company may impact the amount of carry forward tax losses.

The Company notes that in the unlikely event it is unable to reach a negotiated settlement agreement with the Commissioner, it believes it has various legal mechanisms by which it could seek to prevent the Commissioner from issuing an amended assessment. However, if those legal mechanisms are ultimately unsuccessful it is possible that the Commissioner may issue amended assessments totalling approximately \$18m, excluding penalties. In the event amended assessments are issued, the Company would vigorously defend its position, which will include lodging an objection in relation to the amended assessments.

**Reconciliation**

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

	2017 \$	2016 \$
Accounting profit / (loss) before income tax	(5,717,487)	(30,799,674)
Income tax benefit at the statutory income tax rate of 30% (2016: 30%)	(1,715,246)	(9,239,902)
Adjusted for:		
Non-deductible expenses	25,057	83,884
Share based payments	(80,032)	49,976
Deferred tax assets and tax losses not recognised	2,398,901	927,960
Share of losses of associates	279,686	187,732
Impairment of loans and interest receivables	-	(4,060)
Impairment/de-recognition of exploration assets	521,125	6,723,635
Impairment loss on associates	(795,673)	1,028,265
Forgiveness of intercompany loans	(203,532)	-
Capitalised exploration	(300,037)	-
Adjustments in respect of current and deferred tax of previous year	-	425,055
Other	(130,249)	(182,544)
Commissioner's Settlement Offer (as detailed above)	5,227,739	-
Income tax expense / (benefit) reported in income statement	5,227,739	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Recognised deferred tax assets and liabilities**

The deferred tax liability balance comprises temporary differences attributable to:

	2017 \$	2016 \$
The deferred tax liability balance comprises temporary differences attributable to:		
Accrued income	746,235	427,515
Capitalised expenditure	458,407	-
Unrealised foreign exchange gains / losses	(681,483)	(672,648)
Financial assets	(807,637)	(252,310)
Bad debts	106,295	-
Costs deductible over five years	(3,549)	-
Deferred tax liability	(181,732)	(497,443)

The deferred tax asset balance comprises temporary differences attributable to:

Accrued expenses and provisions	181,732	497,443
Deferred tax asset	181,732	497,443

Net deferred tax asset /(liability)	-	-
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**Movement in temporary differences during the current year**

	Balance 1 July 2016 \$	Recognised in Income \$	Balance 30 June 2017 \$
<b>Consolidated</b>			
Accrued expenses and provisions	427,515	318,720	746,235
Financial assets	(252,310)	(555,327)	(807,637)
Capitalised exploration expenditure	-	458,407	458,407
Unrealised foreign exchange gains / losses	(672,648)	(8,835)	(681,483)
Other	-	102,746	102,746
<b>Net deferred tax asset / (liability)</b>	(497,443)	315,711	(181,732)

**Movement in temporary differences during the prior year**

	Balance 1 July 2015 \$	Recognised in Income \$	Balance 30 June 2016 \$
<b>Consolidated</b>			
Accrued expenses and provisions	(446,721)	874,236	427,515
Financial assets	(252,310)	-	(252,310)
Capitalised exploration expenditure	(86,520)	86,520	-
Unrealised foreign exchange gains / losses	(806,780)	134,132	(672,648)
<b>Net deferred tax asset / (liability)</b>	(1,592,331)	1,094,888	(497,443)

	2017 \$	2016 \$
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	197,029,801	61,667,892
@ 30%	59,108,940	18,500,368

The tax losses do not expire under current legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits. These unrecognised deferred tax assets may materially change depending on the outcome of the Commissioners Settlement Offer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**5. SHARE-BASED PAYMENT ARRANGEMENTS****(a) Shares****Share-based payments granted during the current year**

The company issued 90,000,000 shares during the year as part of the Kipushi consideration shares. The shares were valued based on the Company's share price of \$0.028 at the grant date. These shares were approved at a general meeting on 12 May 2017 and were issued on 7 June 2017. Refer to note 16 for detailed movements in the Company's issued capital.

**(b) Options****Options granted during the current year**

There were nil options granted during the year.

**Options outstanding at balance date**

There were nil options outstanding at 30 June 2017 (2016: 7,675,000).

**Reconciliation of options on issue**

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

	<b>2017</b>		<b>2016</b>	
	<b>Number of</b>	<b>Weighted Average</b>	<b>Number of</b>	<b>Weighted Average</b>
	<b>Options</b>	<b>Exercise Price</b>	<b>Options</b>	<b>Exercise Price</b>
		<b>\$</b>		<b>\$</b>
Balance at beginning of the financial year	7,675,000	0.088	9,425,000	0.091
Granted during the financial year (i)	-	-	-	-
Exercised during the financial year	-	-	-	-
Lapsed during the financial year (ii)	(7,675,000)	0.088	(500,000)	0.15
Forfeited during the financial year (iii)	-	-	(1,250,000)	0.088
Balance at end of the financial year	-	-	7,675,000	0.088
Exercisable at end of the financial year	-	-	-	-

(i) During the current and previous year, there were no share options issued.

(ii) During the current year, 7,675,000 (30 June 2016: 500,000) share options lapsed at a weighted average exercise price of \$0.088.

(iii) During the current year, nil shares options were forfeited (30 June 2016: 1,250,000).

**Rights attaching to options**

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**6. REMUNERATION OF AUDITORS**

The auditor of Cape Lambert Resources Limited is Ernst & Young Australia.

	2017 \$	2016 \$
<b>Amounts received or due and receivable by Ernst &amp; Young Australia for:</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	145,096	182,228
Tax	-	-
Other	-	-
	<u>145,096</u>	<u>182,228</u>
<b>Amounts received or due and receivable by related practices of Ernst &amp; Young Australia for:</b>		
Tax	4,061	15,589
Other	26,207	43,534
	<u>30,268</u>	<u>59,123</u>
<b>Amounts received or due and receivable by non-Ernst &amp; Young audit firms for:</b>		
An audit or review of the financial report of the entity and any other entity in the consolidated group	17,488	12,226
	<u>17,488</u>	<u>12,226</u>

**7. TRADE AND OTHER RECEIVABLES**

	Note	2017 \$	2016 \$
<b>Trade and other receivables – current</b>			
Trade debtors		3,899,953	3,537,472
GST recoverable and other debtors		52,527	93,458
Prepayments		151,043	369,379
Interest receivable		80,000	146,150
Deferred consideration receivable	(a)	2,500,000	2,500,000
Loans receivable	(b)	370,000	529,250
Allowance for doubtful debts		(6,265,446)	(5,911,129)
		<u>788,077</u>	<u>1,264,580</u>

(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 2017 \$	2016 \$
Loan of \$200,000 and US\$150,000 (i)	10.0%	419,184	419,184
Convertible loan note of \$250,250 (ii)	15.0%	159,250	159,250
Loan of \$370,000 (ii)	10.0%	370,000	370,000
Loan of USD\$8,000,000 (iv)	Libor + 6%	10,447,200	10,447,200
Carrying value of loans		11,395,634	11,395,634
Impairment of receivables		(11,025,634)	(10,866,384)
Current carrying value at amortised cost at balance date		<u>370,000</u>	<u>529,250</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017 \$	2016 \$
<i>Movements:</i>		
Opening balance	529,250	1,589,694
Payment on subscription to/(receipts from) convertible loan notes	-	(156,750)
Loans advanced/interest accrued	-	115,750
Repayment of loans	-	(200,000)
Conversion of convertible loan notes	-	(810,500)
Impairment of loans receivable	(159,250)	(19,184)
Foreign exchange movements	-	10,240
Current carrying value at amortised cost at balance date	370,000	529,250

- (i) In May 2014 the Company advanced a short term loan of \$200,000 to International Goldfields Limited (ASX: IGS). Interest is payable at 10% per annum and repayment was due on 30 June 2015. In May 2015, the Company advanced a further short term loan of US\$150,000 to IGS. In part consideration for the loan agreement, the Company will receive an arrangement fee of US\$10,000 and default interest on overdue amounts is payable at 10% per annum. The loans were due for repayment on 18 May 2015. The loans have been previously provided for in full.
- (ii) In August 2014, the Company entered into a converting loan agreement with Kiwanda Mines (NA) LLC for \$250,250. The loans were due for repayment or conversion on 12 August 2015. During the year ended 30 June 2016, the Company received cash of \$91,000 for the partial redemption of the convertible note. The balance of the loan receivable has been provided for in full.
- (iii) In November 2014, the Company advanced a loan of \$320,000 to Allegra Capital Pty Ltd (**Allegra**). Interest is payable at 10% per annum and repayment is due on or before 25 May 2016. In May 2016, a deed of variation was entered into extending the repayment date to 31 October 2016. In May 2016, the Company advanced a further short term loan of \$50,000 to Allegra. Interest is payable at 10% per annum and the loan was due for repayment on 31 October 2016. The loan has been repaid in full subsequent to 30 June 2017.
- (iv) On 22 October 2014, the Company announced that it had entered into a US\$20 million funding agreement with Timis Mining (**Agreement**) to assist it with the acquisition of London Mining's Marampa Iron Ore Mine (**Mine**) from the administrator of London Mining PLC. The Agreement was divided into two parts, being (a) US\$8 million Bridging Finance loan and US\$12 million for the purchase of a royalty. The bridging finance loan of US\$8 million was repayable in October 2015 and incurs interest of 3 month US LIBOR (London interbank offered rate) + 6%. This loan has previously been provided for in full.

**Risk Exposure**

The Group's exposure to risk is discussed in more detail in note 27. An impairment allowance of \$11,025,634 in the current year (30 June 2016: \$10,866,384) has been raised in relation to loans past due and objective evidence of impairment.

*Movements in the impairment allowance:*

	2017 \$	2016 \$
Opening balance at beginning of the year	10,866,384	10,847,200
Impairment of loans receivable	159,250	19,184
	11,025,634	10,866,384

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**8. OTHER FINANCIAL ASSETS**

	Note	2017 \$	2016 \$
<b>Financial Assets at Fair value through Profit or Loss</b>			
Shares in listed entities	(a)	1,138,188	1,350,477
Call options		-	68,799
		<u>1,138,188</u>	<u>1,419,276</u>
<b>Financial Assets accounted for as Available-for-sale</b>			
Shares in unlisted entities – at cost	(b)	70,000	100,000
		<u>70,000</u>	<u>100,000</u>
<b>Total Financial Assets</b>		<u>1,208,188</u>	<u>1,519,276</u>

**(a) Movements in the carrying amount of the shares in listed entities**

	Note	2017 \$	2016 \$
Carrying value at beginning of the year		1,350,477	1,515,864
Conversion of loan interest into shares		11,555	-
Purchase of equity investments		331,124	30,000
Reclassification of financial asset at fair value through profit or loss to associate		(231,124)	(332,172)
Gain/(Loss) on fair value of financial assets through profit or loss	3 (f)	153,391	324,621
Disposal of equity investments		(544,284)	(189,586)
Exercise of call option		68,799	-
Other		(1,750)	1,750
		<u>1,138,188</u>	<u>1,350,477</u>

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

	2017 \$	2016 \$
<i>Movements:</i>		
Carrying value at beginning of year (cost less impairment)	100,000	100,000
Impairment of investment	(30,000)	-
	<u>70,000</u>	<u>100,000</u>

**(c) Impairment and Risk exposure**

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 \$30,000 (30 June 2016: Nil) in relation to the unlisted investments during the year ended 30 June 2017.

The Group's exposure to risk is discussed in note 27.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**9. RESTRICTED CASH**

	2017 \$	2016 \$
<b>Current</b>		
Term deposits (a)	44,617	33,339
Application funds (b)	60,000	968,131
	<u>104,617</u>	<u>1,001,470</u>
<i>Movements:</i>		
Opening balance at beginning of the year	1,001,470	32,754
Application funds received by Fe Limited	-	1,189,109
Application funds refunded by Fe Limited	(968,131)	(220,978)
Application funds received by Cape Lambert	60,000	-
Security against loan	32,046	-
Release of restricted cash in relation to office bond	(20,768)	-
Exchange differences	-	585
	<u>104,617</u>	<u>1,001,470</u>
<b>Non current</b>		
Term deposits (a)	<u>81,833</u>	<u>81,833</u>

- (a) Restricted cash relates to term deposits, which are not readily accessible to the Group, held with financial institutions as security for bank guarantees issued to:
- Various environmental regulatory departments in respect of the potential rehabilitation of exploration areas; and
  - Landlords of leased properties.
- (b) As at 30 June 2017, the Company had received \$60,000 in application funds from sophisticated investors pursuant to a placement offer to acquire ordinary shares in the Company at \$0.03 each. Application funds received as at 30 June 2017 are included in the statement of financial position at balance date as restricted cash. A contra liability has been included in the statement of financial position at balance date.

During the year ended 30 June 2016, Fe Limited (**ASX: FEL**) (**FEL**), a subsidiary of the Group, announced that it had signed a binding conditional terms sheet to acquire 100% of Cardinal House Group Pty Ltd who is a provider of online social gaming products and real money gambling platforms. At 30 June 2016, applications for \$968,131 (**Applications**) had been received under a minimum capital raising offer of \$2,000,000 (up to a maximum of \$2,200,000) (**Offer**) per FEL's Prospectus dated 23 March 2016 as supplemented by the Supplementary Prospectus dated 22 June 2016. On 30 June 2016, FEL were issued a final order in respect of its Prospectus from the Australian Securities Investment Commission (**ASIC**). Application funds received as at 30 June 2016 are included in the statement of financial position at balance date as restricted cash. A contra liability has been included in the statement of financial position at balance date. During the year ended 30 June 2017, all Application funds were returned to applicants.

**Risk Exposure**

The Group's exposure to risk is discussed in note 27.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. PROPERTY, PLANT AND EQUIPMENT

	Plant & Equipment \$	Buildings \$	Motor Vehicles \$	Furniture & Fittings \$	Leasehold Improvements \$	Total \$
<b>Gross carrying amount – at cost</b>						
<b>At 1 July 2015</b>	<b>1,396,366</b>	<b>1,035,310</b>	<b>368,909</b>	<b>959,398</b>	<b>1,464,351</b>	<b>5,224,334</b>
Additions	33,425	-	-	140	-	33,565
Write down (a) (b)	(688,320)	(1,003,323)	(275,053)	(726,674)	-	(2,787,804)
Exchange differences	(21,324)	35,457	13,183	9,710	-	131,551
<b>At 30 June 2016</b>	<b>720,147</b>	<b>67,535</b>	<b>107,039</b>	<b>242,574</b>	<b>1,464,351</b>	<b>2,601,646</b>
Additions	35,425	-	-	340	-	35,765
Write down (a) (b)	(575,179)	(2,055)	(97,229)	(183,241)	-	(857,704)
Exchange differences	(50)	-	-	-	-	(50)
<b>At 30 June 2017</b>	<b>180,343</b>	<b>65,389</b>	<b>9,810</b>	<b>59,673</b>	<b>1,464,351</b>	<b>1,779,657</b>
<b>Accumulated depreciation</b>						
<b>At 1 July 2015</b>	<b>(1,146,957)</b>	<b>(251,040)</b>	<b>(276,658)</b>	<b>(869,019)</b>	<b>(1,011,428)</b>	<b>(3,555,102)</b>
Depreciation expense	(130,581)	(88,417)	(53,945)	(49,163)	(293,750)	(615,856)
Write down (a) (b)	603,643	370,024	257,571	719,663	-	2,045,426
Exchange differences	35,504	(30,567)	8,115	(5,308)	-	(86,781)
<b>At 30 June 2016</b>	<b>(638,391)</b>	<b>-</b>	<b>(64,917)</b>	<b>(203,827)</b>	<b>(1,305,178)</b>	<b>(2,212,313)</b>
Depreciation expense	(53,673)	-	(15,865)	(30,642)	(157,810)	(257,991)
Write down (a) (b)	566,419	-	77,798	177,555	-	821,772)
Exchange differences	-	(91)	-	-	(1)	(92)
<b>At 30 June 2017</b>	<b>(125,645)</b>	<b>(91)</b>	<b>(2,984)</b>	<b>(56,914)</b>	<b>(1,462,989)</b>	<b>(1,648,624)</b>
<b>Net Book Value</b>						
<b>At 1 July 2015</b>	<b>249,409</b>	<b>784,270</b>	<b>92,251</b>	<b>90,379</b>	<b>452,923</b>	<b>1,669,232</b>
Additions	33,425	-	-	140	-	33,565
Write down (a) (b)	(84,677)	(633,208)	(17,482)	(7,011)	-	(742,378)
Depreciation expense	(130,581)	(88,417)	(53,945)	(49,163)	(293,750)	(615,856)
Exchange differences	14,180	4,890	21,298	4,402	-	44,770
<b>At 30 June 2016</b>	<b>81,756</b>	<b>67,535</b>	<b>42,122</b>	<b>38,747</b>	<b>159,173</b>	<b>389,333</b>
Additions	35,425	-	-	340	-	35,765
Write down (a) (b)	(8,760)	(2,055)	(19,431)	(5,686)	-	(35,932)
Depreciation expense	(53,673)	-	(15,865)	(30,642)	(157,810)	(257,991)
Exchange differences	(50)	(91)	-	-	(1)	(142)
<b>At 30 June 2017</b>	<b>54,697</b>	<b>65,389</b>	<b>6,826</b>	<b>2,759</b>	<b>1,362</b>	<b>131,033</b>

- (a) The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.
- (b) The impairment loss represents the write down of certain plant and equipment to the recoverable amount. An item of property, plant and equipment initially recognised is derecognised when no future economic benefits are expected from use or its disposal. Impairment of \$630,579 was recognised on fixed assets associated with the Guinea exploration activities, on the basis of an arms-length transaction, which the directors believe represents fair value in an orderly transaction (level 3 in the fair value hierarchy). The sale of these assets was completed during the period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**11. DEFERRED EXPENSES**

	2017 \$	2016 \$
Opening balance at beginning of the year	-	-
Shares issued for the acquisition (refer note 5a)	2,520,000	-
Acquisition costs	195,801	-
	<u>2,715,801</u>	<u>-</u>

**12. EXPLORATION AND EVALUATION EXPENDITURE**

	2017 \$	2016 \$
<b>Exploration and evaluation phases</b>	<u>33,551</u>	<u>-</u>
<i>Movements:</i>		
Carrying value at beginning of the year	-	15,683,601
Exploration and evaluation expenditure capitalised during the year	2,871,069	6,740,613
Exploration assets divested during the year	-	(456,543)
Exploration expenditure impaired during the year (a)	-	(3,295,324)
Exploration expenditure de-recognised during the year (a)	(2,837,518)	(19,116,791)
Foreign currency gains / (losses)	-	444,444
<b>Total exploration and evaluation phases</b>	<u>33,551</u>	<u>-</u>

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) Impairment and de-recognition**

The Company de-recognised capitalised exploration to the extent of \$2,837,518 (30 June 2016: \$19,116,791) on projects that are on care and maintenance and no longer met the criteria for deferral under the Group's accounting policy as active and significant operations are not continuing at balance date.

During the previous financial year ended 30 June 2016, Cape Lambert recognised impairment losses in respect of capitalised exploration and evaluation to the extent of \$3,295,324 in respect of the Group's Cote D'Ivoire project.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**13. INVESTMENTS IN ASSOCIATED ENTITIES**

	2017 \$	2016 \$
Investments in associates accounted for using the equity method	3,417,907	1,371,805

**(a) Investment details**

	Percentage held at balance date		Year ended	Year ended
	2017	2016	2017	2016
	%	%	\$	\$
Cauldron Energy Limited <sup>1</sup>	15.9	14.9	493,713	1,205,718
Kupang Resources Limited <sup>2</sup>	12.6	12.6	-	-
Global Strategic Metals Limited	27.4	27.4	-	-
European Lithium Limited <sup>3</sup>	14.5	26.2	2,924,194	-
International Goldfields Limited	20.4	21.4	-	166,087
			3,417,907	1,371,805

<sup>1</sup>Although the Company holds less than a 20% interest in Cauldron Energy Ltd (**Cauldron**), this investment is equity accounted given the significant influence the Company has through Mr Sage's role on the board of Cauldron and the interchange of management personnel.

<sup>2</sup>On 28 May 2015 receivers and managers were appointed to Kupang Resources Limited (**Kupang**), and was ultimately placed into voluntary administration. Kupang was removed from the official list of the Australian Securities Exchange on 31 August 2015.

<sup>3</sup>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.

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

	2017 \$	2016 \$
Balance at beginning of period	1,371,803	3,629,855
Reclassification from financial assets to associate		332,173
Acquisition of shares in associates	194,687	14,089
Conversion of convertible loan notes, accrued interest & other receivables	-	1,284,168
Share of losses of associates recognised during the year	(2,555,741)	(625,774)
Share of reserves of associates recognised during the year	131,460	164,843
Gain on dilution of interest in associate	1,623,455	-
Impairment reversal/(loss) (e)	2,652,243	(3,427,549)
	3,417,907	1,371,805

**(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 (level 1 in the fair value hierarchy).

	2017 \$	2016 \$
Cauldron Energy Limited	1,783,981	2,834,846
European Lithium Limited	2,924,192	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the year European Lithium limited listed on ASX by way of reverse takeover with Paynes Find Gold Limited. Kupang was removed from the official list of the Australian Securities Exchange on 31 August 2015. Global Strategic Metals Limited was removed from the official list of the Australian Securities Exchange on 15 August 2014. The securities of IGS were suspended from official quotation on 16 March 2016.

**(d) Summarised financial information***Cauldron Energy Ltd*

The Group has a 15.9% interest in Cauldron Energy Limited (**CXU**), which is an ASX-listed mineral exploration company with uranium prospective tenements in Western Australia, South Australia and Argentina. The Group's interest in CXU is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial investment of the Group's investment in CXU:

	2017 \$	2016 \$
Current assets	4,890,930	4,039,747
Non-current assets	11,884	9,514,407
Current liabilities	(627,611)	(530,840)
<b>Equity</b>	<b>4,275,203</b>	<b>13,023,314</b>
<b>Group's carrying amount of the investment</b>	<b>493,713</b>	<b>1,205,718</b>

	2017 \$	2016 \$
Revenue	36,682	7,375
Other income	18,188	1,233,829
Depreciation	(97,340)	(154,476)
<b>Loss before tax</b>	<b>(11,954,682)</b>	<b>(3,978,324)</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(11,954,682)</b>	<b>(3,978,324)</b>
<b>Total comprehensive income for the year</b>	<b>(11,980,544)</b>	<b>(4,126,319)</b>
<b>Group's share of profit for the year</b>	<b>(1,904,896)</b>	<b>(625,774)</b>

The associate had no contingent liabilities or capital commitments as at 30 June 2017.

*European Lithium Ltd*

The Group has a 14.5% interest in European Lithium Limited (**EUR**), which is an ASX-listed mineral exploration company with lithium assets in Austria. The Group's interest in EUR is accounted for using the equity method in the consolidated financial statements. The following table illustrates the summarised financial investment of the Group's investment in EUR:

	2017 \$	2016 \$
Current assets	1,079,853	426,224
Non-current assets	21,791,323	17,101,967
Current liabilities	(523,484)	(1,009,236)
<b>Equity</b>	<b>22,347,692</b>	<b>16,518,955</b>
<b>Group's carrying amount of the investment</b>	<b>2,924,194</b>	<b>-</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017 \$	2016 \$
Revenue and other income	790,705	20,193,003
Depreciation	(688)	(7,052)
<b>Loss before tax</b>	<b>(8,008,363)</b>	<b>19,110,651</b>
Income tax expense	-	-
<b>Loss for the year</b>	<b>(8,008,363)</b>	<b>19,110,651</b>
<b>Total comprehensive income for the year</b>	<b>(7,105,856)</b>	<b>18,629,024</b>
<b>Group's share of loss for the year</b>	<b>(1,210,109)</b>	-

The associate had no contingent liabilities or capital commitments as at 30 June 2017.

**(e) Impairment assessment**

The carrying amounts of the investments in associates were assessed for impairment at 30 June 2017 resulting in the reversal of previous impairment expenses of \$2,652,243 (2016: loss \$3,427,549). Euro was subsequently impaired by \$520,218 based on the market value of the shares at 30 June 2017 (Level 1 in the fair value hierarchy).

**14. TRADE AND OTHER PAYABLES**

Current	2017 \$	2016 \$
<b>Unsecured</b>		
Trade payables	483,255	252,989
Other creditors and accruals	3,595,033	2,498,083
Withholding tax payable	2,529,837	2,527,175
	<b>6,608,125</b>	<b>5,278,247</b>

**Risk Exposure**

The Group's exposure to risk is discussed in note 27.

**Terms and Conditions**

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled on 30 day terms
- (ii) Sundry creditors and accruals are non-interest bearing and have an average term of 30 days.

**15. PROVISIONS**

	2017 \$	2016 \$
<b>Current provisions</b>		
Employee entitlements	26,858	35,188
Provision for end of lease obligations	125,805	-
Provision for obligations under onerous lease (a)	-	467,206
Other	182,178	56,522
	<b>334,841</b>	<b>558,916</b>
<b>Non-Current provisions</b>		
Provision for obligations under onerous lease (a)	-	4,454
	-	<b>4,454</b>

- (a) At 30 June 2016, provisions were recorded for obligations under onerous operating leases when the properties are not used by the Group and the net costs of exiting from the leases exceed the economic benefits expected to be received. Cape Lambert Minsec Pty Ltd (**Cape Lambert Minsec**), a wholly owned subsidiary of the Company, had a lease obligation for office premises located in Golden Square, London. The lease of these

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

premises terminated on 2 July 2017. Cape Lambert Minsec sub-leased the office premises located in Golden Square, London until 2 July 2017.

**16. ISSUED CAPITAL**

	2017 \$	2016 \$
833,019,919 fully paid ordinary shares (2016: 720,868,586)	196,771,578	193,581,578

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***

	<b>Ordinary fully paid shares</b>	
	Number	\$
<b>2017</b>		
Shares on issue at 1 July 2016	720,686,586	193,581,578
Issue of shares for cobalt acquisition (note 5)	90,000,000	2,520,000
Placement	22,333,333	670,000
Costs associated with capital issues	-	-
<b>Shares on issue at 30 June 2017</b>	<b>833,019,919</b>	<b>196,771,578</b>
<b>2016</b>		
Shares on issue at 1 July 2015	626,686,586	189,786,328
Placement	94,000,000	3,995,000
Costs associated with capital issues	-	(199,750)
<b>Shares on issue at 30 June 2016</b>	<b>720,686,586</b>	<b>193,581,578</b>

***Capital Risk Management***

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "borrowings" and "trade and other payables" as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt.

	2017 \$	2016 \$
Total Trade and other payables	6,608,125	3,227,373
less: Cash and cash equivalents	(1,110,287)	(5,614,871)
Net (cash)/debt	5,497,838	(2,387,498)
Total equity/(deficiency)	(2,639,411)	4,433,420
Total capital	(2,639,411)	4,096,796
Gearing ratio	0%	0%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**17. RESERVES**

	2017 \$	2016 \$
Foreign currency translation reserve	22,332,366	22,007,507
Share based payments reserve	2,167,905	2,434,680
Equity reserve	(1,179,630)	(1,389,138)
Available for sale reserve	-	1,750
	<u>23,320,641</u>	<u>23,054,799</u>
<b>Foreign currency translation reserve</b>		
Balance at beginning of financial year	22,007,507	21,116,525
Share of movement of associate's foreign currency translation reserve	131,460	914,783
Foreign currency exchange differences arising on translation of foreign operation	193,399	(23,801)
Balance at end of financial year	<u>22,332,366</u>	<u>22,007,507</u>
<b>Share based payments reserve</b>		
Balance at beginning of financial year	2,434,680	2,079,450
Share of movement of associate's share based payments reserve	-	188,643
Share based payments	(266,775)	166,587
Balance at end of financial year	<u>2,167,905</u>	<u>2,434,680</u>
<b>Equity reserve</b>		
Balance at beginning of financial year	(1,389,138)	(1,603,919)
Increase in non-controlling interest	209,508	214,781
Balance at end of financial year	<u>(1,179,630)</u>	<u>(1,389,138)</u>
<b>Available for sale reserve</b>		
Balance at beginning of financial year	1,750	-
Fair value gain/(loss) recognised through equity	(1,750)	1,750
Balance at end of financial year	<u>-</u>	<u>1,750</u>

**Nature and Purpose of Reserves****Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

**Share based payments reserve**

The share based payments reserve records items recognised as expenses on valuation of employee share options, and options issued to directors and consultants.

**Equity reserve**

The equity reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

**Available for sale reserve**

The available for sale reserve is used to record the value of fair value gains or losses in respect of available for sale investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**18. ACCUMULATED LOSSES**

	2017 \$	2016 \$
Balance at beginning of financial year	(212,167,165)	(181,696,558)
Loss for the year	(10,781,531)	(30,470,607)
Balance at end of financial year	(222,948,696)	(212,167,165)

**19. LOSS PER SHARE**

	2017 Cents per Share	2016 Cents per Share
Basic loss per share (a)	(1.48)	(4.69)
Diluted loss per share (b)	(1.48)	(4.69)

**(a) Basic Loss per Share**

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

	2017 \$	2016 \$
Loss for the year	(10,781,531)	(30,470,607)

	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	726,787,956	650,315,001

**(b) Diluted Loss per Share**

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

	2017 \$	2016 \$
Loss for the year	(10,781,531)	(30,470,607)

	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of diluted earnings per share (c)	726,787,956	650,315,001

**(c) Weighted average number of shares**

	2017 Number	2016 Number
Weighted average number of ordinary shares for the purposes of basic (loss) / earnings per share	726,787,956	650,315,001
Effect of dilution:	-	-
Share options	-	-
	726,787,956	650,315,001

There are 23,500,000 share options (30 June 2016: 7,675,000) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are anti-dilutive for the current period presented.

Since 30 June 2017 and prior to the date of release of these financial statements, nil share options (30 June 2016: nil) have been forfeited and nil share options (30 June 2016: nil) have been exercised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**20. OTHER UNLISTED OPTIONS**

The following refers to unlisted options issued by the Company which do not constitute a share based payment.

**(a) Options granted during the year**

On 15 December 2016, the Company issued 23,500,000 unlisted options at \$0.05 each expiring on 31 December 2018. These options were free-attaching to the shares issued to Gulf Energy International Limited (**Gulf Energy**) under the placement that closed in March 2016.

**(c) Options on issue at 30 June 2017**

The outstanding balance of options at 30 June 2017 (other than those granted as a share based payment) is 23,500,000 unlisted options exercisable at \$0.05 expiring 31 December 2018.

**21. COMMITMENTS**

	2017 \$	2016 \$
<b>Operating lease commitments</b>		
Minimum lease payments not provided for in the financial report and payable:		
not later than one year	572,289	571,356
later than one year but not later than five years	1,040,575	1,648,685
later than five years	-	-
Aggregate expenditure contracted for at balance date but not provided for	1,612,864	2,220,041

On 1 April 2012 the Company entered into an office premises lease agreement (as varied by a deed of variation dated 22 June 2015) terminating on 31 March 2020. The Company has entered into a series of sub-lease agreements with terms to 31 March 2020 whereby the Company is entitled to receive a total of \$380,373 in rental income. In addition, rental income is received from various other companies under sub-lease arrangements with no fixed terms. The above minimum lease payments have not been adjusted for any sub-lease rental income payments.

**22. CONTINGENT ASSETS AND LIABILITIES****Contingent asset for future royalties payable from the Mayoko Iron Ore Project**

In March 2012, Johannesburg Stock Exchange listed Exxaro Resources Limited (**Exxaro**) 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 AUD\$1.00 (indexed annually to the CPI) per tonne of iron ore shipped from the Mayoko Project (**Mayoko Royalty**). On 6 February 2014, the Company released an announcement advising shareholders that Exxaro has been granted a Mining Convention for the Mayoko Project. In September 2016 Exxaro announcement the completion of the sale of the Mayoko Project to Sapro SA. On 13 February 2017, the Company released an announcement that it had sold the Mayoko Royalty for A\$1,000,000 cash subject to the formality of the new owners signing off on the transaction. As at 30 June 2017, the Company has not recognised any amount for the Mayoko Royalty as a receivable.

**Contingent spend on DRC Cobalt**

On 21 February 2017, the Company announced that it had entered into a Binding Heads of Agreement (**Agreement**) with Congolese company, Paragon Mining SARL (**Paragon**) to form a 50/50 Joint Venture (**JV**) to develop the Kipushi Cobalt Copper Tailings Project, the Kasombo Copper-Cobalt Projects and operate the Kipushi Processing Plant in the Democratic Republic of Congo (**DRC**). In accordance with the terms of the Agreement, the Company is responsible to fund 100% of the working capital and capital costs for the Kipushi projects and Kasombo projects. On 13 July 2017, the Company announced that it had entered into a binding terms sheet to assign the rights to the Kasombo projects to FE Limited (**FEL**). In accordance with the terms of this assignment, FEL are responsible to fund 100% of the working capital and capital costs for the Kasombo project.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**Contingent spend on Zambia project**

On 22 May 2017, the Company announced that it had entered into a binding terms sheet with Australian Mining Company Zambia Limited to acquire a 70% interest in the Kitwe cobalt-copper tailings project. Under the terms of the agreement, the Company will have 6 months to decide whether it wishes to exercise an option to expend US\$500,000 within 6 months from the date of exercising the option (**Option**). If the Company does not exercise the Option, or fails to spend the US\$500,000 within the 6 months option period, then the 70% shareholding will be returned to the Seller.

**23. SUBSIDIARIES**

Name of Entity	Country of Incorporation	Ownership Interest	
		2017 %	2016 %
<b>Parent entity</b>			
Cape Lambert Resources Limited	Australia	-	-
<b>Subsidiaries</b>			
African Minerals Exploration Pty Ltd	Australia	100%	100%
Aurora (Bermuda) Minerals Limited <sup>2</sup>	Bermuda	-	100%
Aurum (Cote d'Ivoire) SA Limited <sup>2</sup>	Cote d'Ivoire	-	100%
Aurex (Bermuda) Limited <sup>2</sup>	Bermuda	-	100%
Cape Lambert Minsec Pty Ltd	Australia	100%	100%
Danae Resources Pty Ltd	Australia	100%	100%
Dempsey Resources Bermuda Limited	Bermuda	100%	100%
Dempsey Resources Pty Ltd	Australia	100%	100%
Fe Limited <sup>3</sup>	Australia	44.69%	49.78%
Marampa Iron Ore (Bermuda) Limited	Bermuda	100%	100%
Marampa Iron Ore Limited <sup>2</sup>	British Virgin Islands	-	100%
Marampa Iron Ore (SL) Limited	Sierra Leone	100%	100%
Metals Exploration (Australia) Pty Ltd	Australia	100%	100%
Metals Exploration (Bermuda) Limited <sup>2</sup>	Australia	-	100%
Metals Exploration (Cote D'Ivoire) SA	Cote d'Ivoire	100%	100%
Metal Exploration (Mauritius) Limited	Mauritius	100%	100%
Metal Exploration (SL) Limited	Sierra Leone	100%	100%
Mineral Exploration (Bermuda) Limited <sup>2</sup>	Bermuda	-	100%
Mineral Assets (Bermuda) Limited <sup>1</sup>	Bermuda	100%	100%
Mineral Projects Pty Ltd <sup>2</sup>	Australia	-	100%
Mineral Resources (Bermuda) Limited	Bermuda	100%	100%
Mineral Securities Investments (Australia) Pty Ltd	Australia	100%	100%
Mineral Securities Limited	British Virgin Islands	-	100%
Mineral Securities Operations Pty Ltd	Australia	100%	100%
Mineral Securities (UK) Ltd	UK	100%	100%
Mining International Pty Ltd	Australia	100%	100%
Minsec Investments (BVI) Limited <sup>2</sup>	British Virgin Islands	-	100%
Multiplex Resources (Kazakhstan) Limited	United Kingdom	100%	100%
Pinnacle Group Assets Limited <sup>2</sup>	British Virgin Islands	-	100%
Pinnacle Group Assets (SL) Limited	Sierra Leone	100%	100%

<sup>1</sup> In the process of being liquidated

<sup>2</sup> Company liquidated or deregistered during the year

<sup>3</sup> The group has assessed that it has de facto control over FE Limited despite a present ownership interest below 50%

**24. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

**Information by geographical region**

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

	2017 \$	2016 \$
Australia	3,471,265	1,566,634
West Africa	2,827,027	194,504
	<u>6,298,292</u>	<u>1,761,138</u>

**Revenue by geographical region**

	2017 \$	2016 \$
Australia	678,314	879,107
West Africa	14	98
	<u>678,328</u>	<u>879,205</u>

**25. RELATED PARTY DISCLOSURES****Subsidiaries**

The consolidated financial statements include the financial statements of Cape Lambert Resources Limited and the subsidiaries listed in note 23.

**Ultimate parent**

The ultimate Australian parent entity is Cape Lambert Resources Limited.

**Transactions with related parties**

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

*Agreements entered into with related parties*Office lease agreement with Okewood Pty Ltd

On 1 April 2012 the Company entered into a lease agreement with Okewood Pty Ltd, a company owned by Tony Sage, for the lease of 32 Harrogate Street, West Leederville WA 6007, as varied by a deed of variation dated 22 June 2015 (**Lease Agreement**). The term of the Lease Agreement is 1 April 2012 to 31 March 2020 with an option to extend. The lease is based on an area of 1,148m<sup>2</sup> at a rent of \$459,200 (excluding GST) per annum, subject to an annual CPI increase, with variable outgoings and parking charged separately at market rates. The Company has entered into a series of sub-lease agreements, both with related parties as outlined below and unrelated parties, whereby the Company is entitled to receive rental income. The above minimum lease payments have not been adjusted for any sub-lease rental income payments.

Sub-lease agreements for office space

The Company has fixed term sub-lease agreements with the following related entities:

- International Petroleum Limited (parties agreed to terminate the lease with effect 1 October 2016)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Cauldron Energy Limited (lease term expiring 31 March 2020)

The lease covers the rental, outgoings and parking charges under agreements made on commercial terms and conditions at market rates. Refer to the table below which summarises the recharges.

FE Limited loan

On 28 September 2016, the Company entered into a short-term loan facility arrangement with FE Limited for \$32,727 (principal loan amount) to be used towards FEL's working capital requirements. The loan was interest-bearing at a rate of 10% per annum. The loan (including accrued interest) was repaid on 19 October 2016. Mr Sage is a director of FE Limited.

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		<b>Sales to related parties</b>	<b>Purchases from related parties</b>	<b>Consulting fees paid</b>	<b>Amounts owed by related parties</b>	<b>Amounts owed to related parties</b>
<i>Related entities with common directors:</i>						
African Petroleum Corporation Limited	2017	-	-	-	-	-
African Petroleum Corporation Limited	2016	-	-	-	19,135	-
International Petroleum Limited	2017	39,265	-	-	-	-
International Petroleum Limited	2016	108,123	-	-	18,683	-
<i>Associate entities:</i>						
Global Strategic Metals Limited	2017	116,504	-	-	159,446	-
Global Strategic Metals Limited	2016	42,942	-	-	42,942	-
Cauldron Energy Limited	2017	219,288	-	-	4,928	-
Cauldron Energy Limited	2016	238,422	-	-	5,515	-
European Lithium Limited	2017	161,060	-	-	49,059	-
European Lithium Limited	2016	191,154	-	-	53,237	-
<i>Director related entities:</i>						
Perth Fashion Festival Pty Ltd	2017	-	7,758	-	-	-
Perth Fashion Festival Pty Ltd	2016	-	7,887	-	-	-
Perth Glory Football Club	2017	-	56,700	-	-	-
Perth Glory Football Club	2016	-	54,473	-	2,587	-
Okewood Pty Ltd	2017	-	568,020	700,000	4,054	-
Okewood Pty Ltd	2016	-	575,470	700,000	-	-

Perth Fashion Festival Pty Ltd, Okewood Pty Ltd and Okewood Pty Ltd trading as Perth Glory Football Club are entities controlled by Tony Sage.

**Key management personnel**

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

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,162,033	1,269,694
Post-employment benefits	23,275	23,750
Share based payments	(133,545)	93,605
Long term employee benefits	20,336	19,230
	<b>1,072,099</b>	<b>1,406,279</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Detailed remuneration disclosures are provided in the remuneration report.

**26. NOTES TO THE CASH FLOW STATEMENT****(a) Reconciliation of Cash and Cash Equivalents**

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

	2017 \$	2016 \$
<i>Cash and cash equivalents</i>		
Cash in banks and on hand	1,110,287	5,614,871
Deposits at call	-	-
Cash and cash equivalents per consolidated statement of cash flows	1,110,287	5,614,871
Cash and cash equivalents per consolidated statement of financial position	1,110,287	5,614,871

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

	2017 \$	2016 \$
Loss from ordinary activities	(5,717,488)	(30,799,674)
<i>Adjusted for non-cash items:</i>		
Loss/(gain) on disposal of tenement interests	(138,783)	(597,962)
Loss/(gain) on fair value of financial assets through profit & loss	(153,391)	(324,621)
Depreciation and amortisation of non-current assets	257,991	615,856
Share of losses of associates	2,555,741	625,774
Gain on dilution of interest in associate	(1,623,455)	-
Gain on sale of fixed assets	(95,570)	(140,425)
Impairment of fixed assets	35,932	742,378
Impairment of VAT receivable	-	39,253
Impairment of investment in associate	(2,652,243)	3,427,549
Provision for payroll tax	592,068	-
Provision for end of lease obligations	125,805	-
Share based payments	(266,775)	166,587
Exploration expenditure de-recognised during the year	2,837,518	19,116,791
Impairment of capitalised exploration	-	3,295,324
Provision for impairment of investments	30,000	-
Provision for impairment of loans and receivables	267,131	(52,787)
Provision for onerous leases	(471,660)	(230,186)
Unrealised foreign currency exchange gains	19,065	(24,075)
Impairment of receivable	374,890	174,386
<i>Changes in net assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	(188,349)	(447,031)
(Increase)/decrease in provisions	(4,858,101)	(167,178)
Increase / (decrease) in trade and other payables	5,840,378	(41,219)
Increase / (decrease) in income tax payable	-	-
<b>Net cash used in operating activities</b>	<b>(3,229,296)</b>	<b>(4,621,260)</b>

**(c) Non-Cash Activities**

No significant non-cash investing or financing transactions occurred during the year ended 30 June 2017.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**27. FINANCIAL RISK MANAGEMENT**

The Group is exposed to a variety of financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to meet its financial targets whilst minimising potential adverse effects on financial performance. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. Risk management is carried out by the Board.

The Group holds the following financial instruments:

	2017 \$	2016 \$
<b>Financial assets:</b>		
Cash and cash equivalents	1,110,287	5,614,871
Restricted cash	186,450	1,083,303
Trade and other receivables	788,077	1,264,580
Other financial assets	1,208,188	1,519,276
	3,293,002	9,482,030
<b>Financial liabilities:</b>		
Trade and other payables	6,608,125	5,278,247
Application funds	60,000	968,131
	6,668,125	6,246,378

**(a) Market Risk****(i) Foreign Currency Risk**

The Group operates internationally and is exposed to foreign exchange risk arising from commercial transactions. The Group converted assets and liabilities into the functional currency where balances were denominated in a currency other than the Australian dollars.

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

At the reporting date, the Group had the following exposure to foreign currency:

	2017 \$	2016 \$
<b>Financial assets:</b>		
Cash and cash equivalents - USD	US\$1,793	US\$443,961
Cash and cash equivalents - CFA	CFA9,791,675	CFA13,268,577
Cash and cash equivalents - SLL	SSL39,865,883	SSL52,727,285

Movement of 10% in the foreign currency exchange rates as at 30 June 2017 would not have a material impact on the consolidated loss or equity.

Managements have set up a policy to monitor and measure this risk using sensitivity analysis and cash flow forecasting.

**(ii) Cash Flow Interest Rate Risk**

The Group's exposure to market interest rates relates primarily to the Group's cash and cash equivalents. The Group is exposed to movements in market interest rates on short term deposits.

At the reporting date, the Group had the following variable rate cash and cash equivalents and restricted cash.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2017 \$	2016 \$
<b>Financial assets:</b>		
Cash and cash equivalents	1,110,287	5,614,871
Restricted cash	186,450	1,083,303
	<u>1,296,737</u>	<u>6,698,174</u>
Weighted average interest rate	0.95%	0.95%

Movement of 50 basis points on the interest rate (considered a reasonably possible change) would not have a material impact on the consolidated loss or equity.

## (iii) Price Risk

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

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

The majority of the Group's equity investments are publicly traded on the Australian Stock Exchange (ASX).

A movement of 10% in the fair value of financial assets at fair value through profit and loss (considered a reasonably possible change) on the Group's post tax loss for the year and on equity would not have been material.

## (b) Credit Risk

Credit risk is managed on a consolidated basis. Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group. The Group has adopted the policy of only dealing with credit worthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The maximum credit risk on financial assets, excluding investments, of the Group, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The Group is exposed to credit risk as a result of subscribing to loan notes and convertible loan notes issued by listed and unlisted entities. This credit risk is managed by obtaining adequate security over the loans, generally in the form of a fixed and floating charge over the assets of the borrower. Details of the loan notes and convertible loan notes to which the Group had subscribed during the year are listed in note 7.

The Company holds 99% (2016: 99%) of its cash and cash equivalents with banks with a Moody's credit rating on Aa2.

	2017 \$	2016 \$
<b>Financial assets:</b>		
Cash and cash equivalents and restricted cash	1,296,737	6,698,174
Loans and receivables	788,077	1,264,580
Other financial assets	1,208,188	1,519,276
	<u>3,293,002</u>	<u>9,482,030</u>

## (c) Liquidity Risk

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows in relation to its operational, investing and financing activities. At the reporting date, the Group had no financing arrangements in place. All financial liabilities are current and expected to settle within six months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(d) Fair Value Estimation**

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes. The Directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The carrying values of trade and other receivables net of impairment and the carrying value of payables approximate fair values due to their short-term nature.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets measured at fair value at 30 June 2017.

	Level 1 \$	Level 2 \$	Total \$
<b>Financial assets</b>			
Financial assets at Fair value through Profit and Loss:			
Shares in listed entities	1,138,188	-	1,138,188
	<u>1,138,188</u>	<u>-</u>	<u>1,138,188</u>

The following table presents the Group's assets measured at fair value at 30 June 2016.

	Level 1 \$	Level 2 \$	Total \$
<b>Financial assets</b>			
Financial assets at Fair value through Profit and Loss:			
Shares in listed entities	1,350,477	-	1,350,477
	<u>1,350,477</u>	<u>-</u>	<u>1,350,477</u>

**28. PARENT ENTITY FINANCIAL INFORMATION****(a) Summary financial information**

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

	2017 \$	2016 \$
<b>Statement of financial position</b>		
Current assets	756,215	5,637,613
Total assets	3,612,824	6,009,840
Current liabilities	(10,640,621)	(2,752,989)
Total liabilities	(61,220,725)	(64,058,110)
Shareholders' equity		
Issued capital	196,771,576	193,581,578
Reserves	1,711,965	1,632,860
Retained earnings	(256,091,444)	(253,262,708)
Total equity /(deficit)	<u>(57,607,903)</u>	<u>(58,048,270)</u>
Net profit / (loss) for the year	<b>(2,828,736)</b>	<b>(68,543,978)</b>
Total comprehensive income / (loss)	<b>(2,828,736)</b>	<b>(68,543,978)</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**(b) Guarantees entered into by the parent entity**

The parent entity has provided financial guarantees in respect of environmental performance bonds for subsidiaries during the current year amounting to nil (2016: nil).

**(c) Tax Consolidation**

The Company and its 100% owned controlled entities have formed a tax consolidated group. Members of the Group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned controlled entities on a pro-rata basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Cape Lambert Resources Limited.

**Tax Effect Accounting by Members of the Tax Consolidated Group**

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of tax under the tax funding agreement is recognised as an increase/decrease in the controlled entities' intercompany accounts with the tax consolidated group head Company, Cape Lambert Resources Limited. In this regard, the Company has assumed the benefit of tax losses from controlled entities of \$2,939,312 (2016: \$825,886) as of the balance date. The Company has received a payment from the controlled entities of nil (2016: nil) as of the balance date in respect of the current year tax liability for the tax consolidated group. The nature of the tax funding agreement is such that no tax consolidation contributions by or distributions to equity participants are required.

**29. EVENTS SUBSEQUENT TO REPORTING DATE***Assignment of Kasombo Project to Fe Limited*

On 13 July 2017, the Company announced that it had executed a binding term sheet (**Terms Sheet**) with Fe Limited (**FEL**) whereby Cape Lambert will assign to FEL 100% of the rights and obligations to the Kasombo Copper-Cobalt Project (**Kasombo Project**) (**Kasombo Transaction**) in the DRC. Cape Lambert's rights to the Kasombo Project were established in the 50/50 joint venture agreement with Paragon (detailed above).

In consideration for Cape Lambert assigning its rights in the Kasombo Project to FEL, FEL has agreed to:

- issue 25,000,000 fully paid ordinary shares in FEL at a deemed issue price of \$0.0256 (determined as the volume weighted average closing price of FEL shares as quoted on ASX over the last five trading days immediately preceding the execution of the Terms Sheet) to Cape Lambert (**Consideration Shares**); and
- payment of \$50,000 on execution of the Terms Sheet and payment of \$75,000 on the date which is three months after the settlement date of the Kasombo Transaction to Cape Lambert (together, the **Cash Reimbursement**); and
- issue 10,000,000 fully paid ordinary shares in FEL at a deemed issue price of \$0.0256 to the facilitator of the Kasombo Transaction (**Facilitator Shares**).

Settlement of the Kasombo Transaction is conditional upon:

- FEL receiving shareholder approval in relation to the Kasombo Transaction including approval to issue:
  - the Consideration Shares to Cape Lambert (in accordance with Item 7 of Section 611 of the Corporations Act if required); and
  - the Facilitator Shares;
- completion of the Kasombo transfer to the JV Company in accordance with the terms of the JV Agreement;
- execution by the relevant parties of a formal agreement to more fully document the Kasombo Transaction; and
- receipt of consent from all relevant parties in respect of the Kasombo Transaction,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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with each of the above conditions to be completed on or before 30 September 2017 unless otherwise waived or extended by Cape Lambert and FEL.

During the period to settlement of the Kasombo Transaction, Cape Lambert will continue with its obligations under the JV Agreement for conducting the exploration works at the Kasombo Project, with all expenses incurred reimbursed to Cape Lambert by FEL within 7 days of settlement via FEL's payment of the Cash Reimbursement (subject to adjustment to reflect actual reimbursable expenses).

*Update on Proceeding at High Court of Sierra Leone*

In relation to the Timis Mining Corporation Bridging Finance, subsequent to the year end, the Company announced that the High Court of Sierra Leone issued a Court Order in relation to the Notice of Motion lodged by the Plaintiff, which ordered the Parties to proceed to Arbitration if desired, refused the 4th Defendant's application for a stay of proceedings and maintained the interlocutory injunction against the 1st, 2nd and 3rd Defendants that prevents liquidating the 4th Defendant's company, pending the hearing and determination of the matter (refer ASX announcement dated 7 July 2017).

The Company is presently in discussions with the Defendants in regards to proceeding to Arbitration.

There have been no other events subsequent to 30 June 2017 up to the date of this report that would materially affect the operations of the Group or its state of affairs which have not otherwise been disclosed in this financial report.

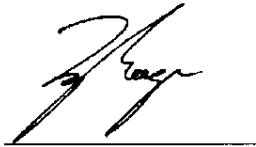
DIRECTORS' DECLARATION

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

1. In the opinion of the directors:
  - (a) the financial statements and notes of Cape Lambert Resources Limited for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2017 and of its performance, for the period ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - (iii) complying with International Financial Reporting Standards as disclosed in note 2(c).
  - (b) Subject to the matters set out in note 2(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the year ended 30 June 2017.

Signed in accordance with a resolution of the Directors:



Tony Sage  
Director

Perth, 30 September 2017

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

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Cape Lambert Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Material uncertainty related to going concern

Without qualifying our opinion, we draw attention to Notes 2 and 4 in the financial report. The matter set forth in Note 4 indicates the existence of a material uncertainty in relation to the ongoing settlement negotiations with the Australian Taxation Office. This matter, together with the matters set forth in Note 2, indicates 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

### 1. Accounting for investments in associates



The carrying value of the Group's investments in listed associates as at 30 June 2017 totalled \$3.42 million.

Judgement is involved in determining whether objective evidence of impairment exists in relation to the carrying value of the investments at period end, or whether the conditions that gave rise to previously recognised impairment losses have reversed. Accordingly, this was considered to be a key audit matter.

During the year ended 30 June 2017, the Group recognised the reversal of previously recognised impairment losses totalling \$3.17 million, having determined that the conditions that gave rise to the impairment losses recorded in prior periods had reversed. Further impairment losses of \$0.51 million were recognised on investments where the Group identified objective evidence of impairment at 30 June 2017.

Disclosures in relation to the investments in associates accounted for using the equity method, including significant judgements, are included in Note 12 to the financial report.

#### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ We considered the Group's assessment of whether any objective evidence of impairment or reversal of impairment existed as at 30 June 2017, having regard to the fair value of the Group's shareholding in its listed associates.
- ▶ We assessed the adequacy of the impairment charge or reversal calculated with reference to the difference between the equity accounted carrying amount and the fair value of the Group's shareholdings in its listed associates.
- ▶ We assessed the adequacy of the disclosure included in the financial report relating to the investments in listed associates.

## Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the audit of the Remuneration Report**

### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 13 to 20 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Cape Lambert Resources Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.



Building a better  
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## Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'Ernst &amp; Young', followed by a large, stylized circular flourish.

Ernst & Young

A handwritten signature in black ink, appearing to read 'G H Meyerowitz', followed by a large, stylized circular flourish.

G H Meyerowitz  
Partner  
Perth  
30 September 2017



### ADDITIONAL STOCK EXCHANGE INFORMATION

Cape Lambert Resources Limited is a listed public company, incorporated in Australia.

The Company's registered and principal place of business is 32 Harrogate Street, West Leederville, Western Australia 6007 Australia.

#### Shareholding

The distribution of members and their holdings of equity securities in the Company as at 31 August 2017 are as follows:

Category (size of holding)	Total Holders	Number of Units
1- 1,000	194	82,079
1,001- 5,000	1,013	3,170,655
5,001- 10,000	800	6,783,920
10,001- 100,000	1,837	72,518,400
100,001 – 999,999,999	672	750,464,865
<b>Total</b>	<b>4,516</b>	<b>833,019,919</b>

#### Equity Securities

As at 31 August 2017, there were 4,516 shareholders, holding 833,019,919 fully paid ordinary shares.

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

The number of shareholders holding less than a marketable parcel of shares is 2,693.

#### Options

The Company currently has 23,500,000 unlisted options exercisable at \$0.05 each on or before 31 December 2018.

#### Voting Rights

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held. Options do not carry a right to vote.

#### Substantial Holders

The names of the substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act* are as follows:

		Number as per the Notice	% held of Issued Capital at the time of Notice
	<b>Fully paid ordinary shareholders</b>		
1	Gulf Energy International Limited	94,000,000	11.28
2	Okewood Pty Ltd and PG Partnership	77,766,681	9.34

**ADDITIONAL STOCK EXCHANGE INFORMATION**
**Twenty Largest Shareholders**

The names of the twenty largest fully paid ordinary shareholders as at 31 August 2017 are as follows:

	<b>Name</b>	<b>Number of Fully Paid Ordinary Shares Held</b>	<b>% held of Issued Capital</b>
1	GULF ENERGY INTERNATIONAL LIMITED	94,000,000	11.28
2	OKEWOOD PTY LTD	77,516,681	9.31
3	NATIONAL NOMINEES LIMITED	35,240,154	4.23
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	29,728,189	3.57
5	BNP PARIBAS NOMINEES PTY LTD	25,780,662	3.09
6	CAULDRON ENERGY LIMITED	17,416,667	2.09
7	MR STANLEY LUFUNGA M PELESA	16,500,000	1.98
8	KEONG LIM PTY LIMITED	14,804,487	1.78
9	MRS YVONNE EL-BAYEH	13,847,203	1.66
10	CITICORP NOMINEES PTY LIMITED	13,387,621	1.61
11	EK HOLDINGS GROUP PTY LTD	10,000,000	1.20
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	10,000,000	1.20
13	LEADENHALL AUSTRALIA PTY LIMITED	10,000,000	1.20
14	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,396,764	1.13
15	MR NIGEL ROBERT STRONG	9,000,000	1.08
16	MR GEDEON MAKONGA NGOY PELASA	8,500,000	1.02
17	WHITEY TIGER PTY LTD	6,896,600	0.83
18	DALE ESTATES NO 1 PTY LTD	6,500,000	0.78
19	FRED PARRISH INVESTMENTS PTY LTD	5,303,535	0.64
20	GANBARU PTY LTD	5,269,465	0.63
		<b>419,088,028</b>	<b>50.31</b>

**ADDITIONAL STOCK EXCHANGE INFORMATION**
**Schedule of Mineral Tenements Held at 30 June 2017**

<b>Tenement</b>	<b>Project &amp; Location</b>	<b>Interest</b>
Marampa Project - EL 46A/2011	Lunsar - Sierra Leone	100%
Marampa Project – ML 05/2014	Lunsar - Sierra Leone	100%
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	100%
Cote D'Ivoire Projects - EL 284*	Katiola - Cote D'Ivoire	100%
Cote D'Ivoire Projects - EL 285*	Boundiali North – Cote D'Ivoire	100%
Cote D'Ivoire Projects - EL 286*	Bouake – Cote D'Ivoire	100%
EPM 17449	Wee MacGregor - Queensland	100%
EPM 17907	Wee MacGregor - Queensland	100%
EPM 17910	Wee MacGregor - Queensland	100%
EPM 25860	Wee MacGregor - Queensland	100%
ML 90098	Wee MacGregor - Queensland	100%
ML 2504	Wee MacGregor - Queensland	100%
ML 2771	Wee MacGregor - Queensland	100%
ML 2773	Wee MacGregor - Queensland	100%
21853-HQ-SEL <sup>1</sup>	Zambia	-
PER 12347 <sup>2</sup>	Kipushi – DRC	-
PE 4886 <sup>2</sup>	Kasombo – DRC	-
PE 481 <sup>2</sup>	Kasombo – DRC	-

\* Pending transfer to a subsidiary of Newcrest Mining Limited

<sup>1</sup> Completion of this transaction is in progress

<sup>2</sup> Completion of this transaction is in progress

Cape Lambert  
Resources Ltd



[www.capelam.com.au](http://www.capelam.com.au)

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