



ANNUAL REPORT 2020

Advancing undervalued mineral assets

CONTENTS

| | |
|---|----|
| Corporate Directory | 1 |
| Principal Activities and Review of Operations | 2 |
| Directors' Report | 6 |
| Auditor's Independence Declaration | 18 |
| Corporate Governance Statement | 19 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 20 |
| Consolidated Statement of Financial Position | 21 |
| Consolidated Statement of Changes in Equity | 22 |
| Consolidated Statement of Cash Flows | 23 |
| Notes to the Consolidated Financial Statements | 24 |
| Directors' Declaration | 67 |
| Independent Auditor's Report | 68 |
| Additional Stock Exchange Information | 73 |

CORPORATE DIRECTORY

Directors

Mr Terry Donnelly – Non-Executive Chairman
Mr Tony Sage - Executive Director
Mr Tim Turner - Non-Executive Director

Company Secretary

Ms Melissa Chapman

Stock Exchange Listing

Australian Securities Exchange
ASX code: CFE

Website

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

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco, WA 6008
Tel: +61 8 6382,4600
Fax: +61 8 6382 4601

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth, WA 6000
AUSTRALIA
Tel: 1300 85 05 05 (Australia)
+61 3 9415 4000 (Overseas)

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Marampa Project

Marampa is an iron ore project at the development stage, and is located 90 km northeast of Freetown, Sierra Leone, West Africa (**Marampa** or **Marampa Project**) (**Figure 1**). The Marampa Project comprised one mining licence (ML05/2014) comprising 97.40km² and one exploration licence (EL46A/2011) comprising 145.86km².



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

ML05/2014

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

In September 2018, Marampa SL received a letter from the Sierra Leone Ministry of Mines (**SLMOM**) cancelling the Mining Licence. In 2018, Marampa SL commenced legal action in Sierra Leone to challenge SLMOM's decision to cancel the Mining Licence ML05/2014, however, the Board has agreed to place legal action against the SLMOM on hold.

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The Company confirms that it does not currently have tenure over ML05/2014. Whilst no formal application has been made to date, the Company has, and will continue to be, engaged in dialogue with the relevant Sierra Leonean authorities in an attempt to have the Mining Licence reinstated or reissued by mutual agreement. Dialogue has been restricted significantly during the period by the impacts of COVID-19 on travel and government operations.

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

EL46A/2011

In 2014, Marampa SL was granted exploration license EL46A/2011. In June 2014 the SLMOM extended EL46A/2011 for a further 2-year term from 31 July 2015 until 31 July 2017. Marampa SL has not paid renewal fees to the SLMOM in respect of EL46A/2011 since 31 July 2017. However, Marampa SL has not received any termination documentation or request for information from the SLMOM, therefore is of the view that EL46A/2011 remains a valid license. Marampa SL has contacted the SLMOM asking them to confirm the status of EL46A/2011 however no response has been received to date therefore tenure over EL46A/2011 remains uncertain. Marampa SL will continue to follow up with the SLMOM to determine the status of EL46A/2011.

The Board confirms that given the inherent uncertainties relating to the future of the Marampa Project, the carrying value of the Marampa Project in Cape Lambert's audited accounts was fully impaired as at 30 June 2016 and remains fully impaired.

The Company is currently committing minimum expenditure on the Marampa Project and no exploration activities are currently underway at the Marampa Project.

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 68km² (refer **Figure 1**). The licence area is located approximately 70km due north of Marampa.

The Kukuna Project remains under care and maintenance.

Kipushi Copper-Cobalt Project (JV with Paragon Mining SARL)

The Kipushi Cobalt Copper Tailings Project consisted of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**), located approximately 25km from Lubumbashi, the second largest city in the Democratic Republic of Congo DRC. The Company had a 50/50 joint venture agreement with Paragon Mining SARL (**Paragon**) to develop the project via the joint venture company is Soludo Lambert Mining SAS (**Soludo Lambert**). Paragon's 70% interest in the Kipushi Project was via a contract it had with La Patience SPRL (**Patience**), which gave Paragon the right to exploit and process the tailings from the Kipushi TSF and sell the product.

In August 2019, the Company announced that it had been unable to source project funding for the development of the Kipushi Project and that as no more extensions were being granted by Paragon to enable the Company to source project funding, the joint venture agreement with Paragon had been terminated.

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 at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer **Figure 2**). The total granted land package covers an area of approximately 5.3km².

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The 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.

Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098, while the Firebird Minerals Pty Ltd (**Firebird**) Farm-in agreement for mining licence ML 2771 has lapsed.

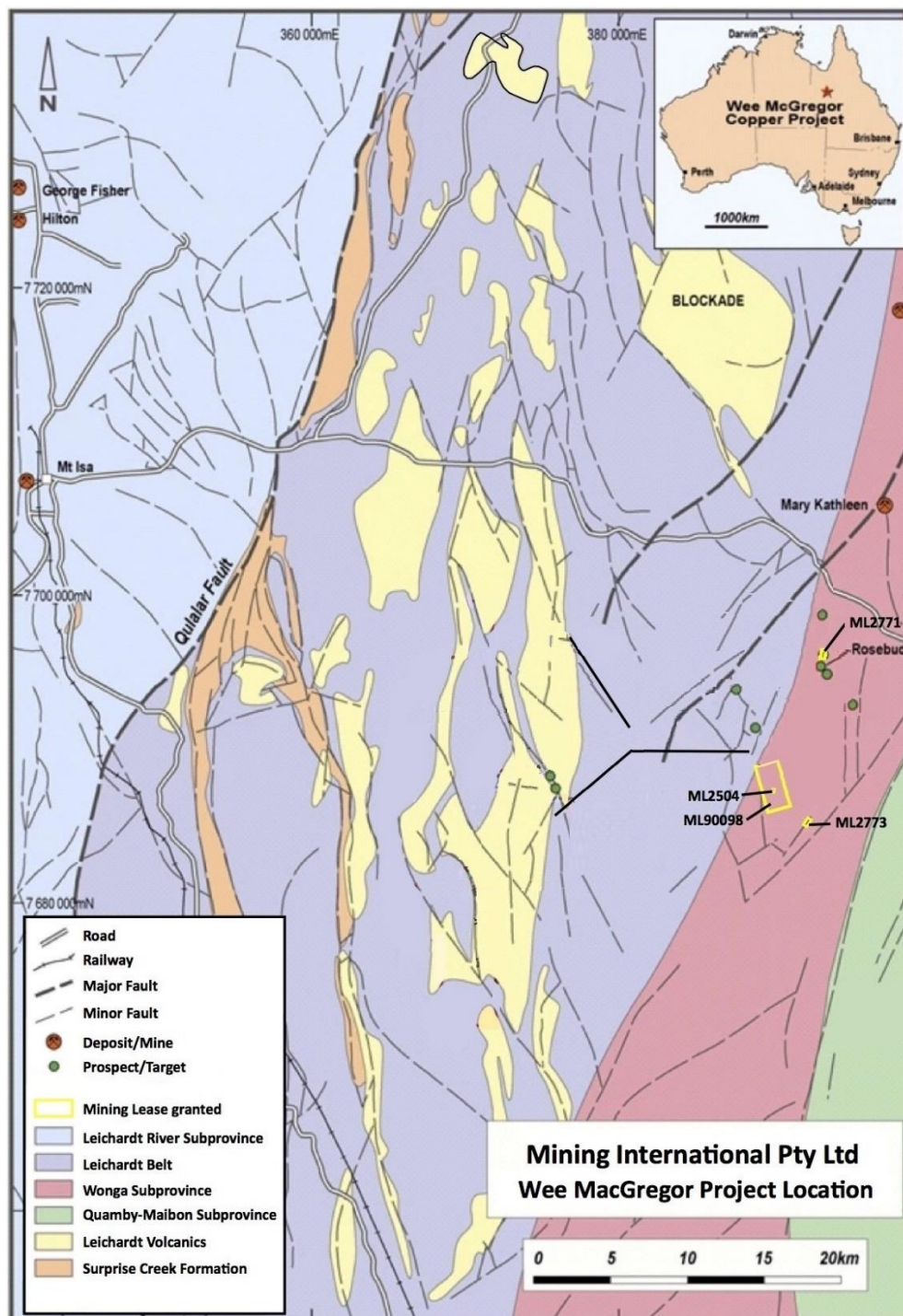


Figure 2: Wee MacGregor Project Location

PRINCIPAL ACTIVITIES AND REVIEW OF OPERATIONS

Competent Persons Statement

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

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 2020.

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

Stefan Müller (retired 11 February 2020)

Mark Hancock (appointed 11 February 2020, resigned 4 August 2020)

Terry Donnelly (appointed 4 August 2020)

| | | |
|--|--|-----|
| Mr Terry Donnelly | Non-Executive Chairman , Remuneration Committee member | |
| Qualifications | Diploma of Business Administration and Management | |
| Experience | Mr Donnelly began his career in the banking industry, subsequently becoming a management consultant, specialising in export marketing in Europe, the Middle East, Africa and Japan. During the mid 1990's he became involved in the field of finance and investment, focussing on the mining of precious metals in Australia, Africa, and Europe. Mr Donnelly continues to work as a successful private equity fundraiser & venture capitalist. Mr Donnelly is currently based in Perth WA. He obtained a Diploma of Business Administration and Management from the Alexander Hamilton Institute of New York. | |
| Directorships of listed companies held within the last 3 years | None | |
| Interest in Shares & Options at the date of this report | Fully Paid Ordinary Shares | Nil |
| Tony Sage | Executive Chairman | |
| Qualifications | B.Com, FCPA, CA, FTIA | |
| Experience | <p>Mr Sage has in excess of 35 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.</p> <p>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), 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.</p> <p>Mr Sage is also the sole owner of A League football club Perth Glory that plays in the National competition in Australia.</p> | |

| | | |
|--|--|--|
| Directorships of listed companies held within the last 3 years | Cauldron Energy Limited Fe Limited International Petroleum Limited ¹ European Lithium Limited ¹ Company deregistered on 21 June 2020 | June 2009 to November 2018 August 2009 to Present January 2006 to June 2020 September 2016 to Present |
| Interest in Shares & Options at the date of this report | Fully Paid Ordinary Shares | 116,266,676 |
| Tim Turner | Non-Executive Director, Chairman of Remuneration Committee | |
| Qualifications | B.Bus, FCPA, FTIA, Registered Company Auditor | |
| Experience | <p>Timothy Turner is the senior partner of accounting and advisory Firm, HTG Partners. Mr Turner heads the audit and assurance division and is responsible for the issue of audit opinions for self-managed superannuation funds through to full reporting entities. He also has in excess of 30 years’ experience in business development, structuring and general business consultancy.</p> <p>Timothy has a Bachelor of Business (Accounting), is a Registered Company, SMSF and Organisation Auditor, is a Fellow of CPA Australia and a Fellow of the Tax Institute of Australia.</p> <p>With over 15 years’ experience on listed company boards and 30 years’ experience in the Australian accounting, taxation and business fields, Mr Turner brings a wealth of experience and knowledge in corporate compliance, governance and corporate manoeuvring</p> | |
| Directorships of listed companies held within the last 3 years | International Petroleum Limited ¹ Petronor E&P ² Legacy Iron Ore Limited ¹ Company deregistered on 21 June 2020 ² Company delisted from the National Stock Exchange of Australia December 2015 to list on the Oslo Stock Exchange, previously named African Petroleum Ltd | January 2006 to June 2020 November 2007 to February 2020 July 2008 to August 2017 |
| Interest in Shares & Options at the date of this report | Fully Paid Ordinary Shares | 3,723,000 |

Ms Chapman is a certified practising accountant with over 16 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. Ms Chapman is a director of Bellatrix Corporate Pty Ltd (**Bellatrix**), a company that provides company secretarial and accounting services to a number of ASX Listed companies.

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

DIRECTORS' REPORT

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 2020 is set out below:

Board Restructure

On 11 February 2020, the Company announced the appointment of Mr Mark Hancock and the retirement of Mr Stefan Muller as Non-Executive Director of the Company with effect from 11 February 2020.

Financing Facilities

On 17 December 2018, the Company announced that it has secured a A\$7.5m finance facility with MEF I, L.P. (**Magna**). An initial amount of A\$750k was drawn down on 19 December 2018. During the year, Magna converted 182,086 notes (51,586,909 shares) and redeemed 43,119 notes. As at 30 June 2020, Magna had 108,612 convertible notes remaining.

On 31 July 2019, the Company announced that it had secured an A\$15m finance facility with Winance Investment LLC (**Winance**). An initial amount of A\$1.2m (1,200 convertible notes) was drawn down on 8 August 2019 with the conversion of initial tranche A notes (\$480k or 480 convertible notes) unconditional and the conversion of initial tranche B notes (\$720k or 720 convertible notes) subject to prior approval by Cape Lambert shareholders (which was subsequently received on 11 February 2020). Further tranches of A\$13.8m is available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period. During the year, Winance converted 1,190 notes (238,000,000 shares). Winance had 10 convertible notes remaining at 30 June 2020 with a balance of \$69,643.

On 24 January 2020 the Company entered into a \$2.2m loan facility with Winance (**Winance Loan**). The Winance Loan was initially for a term of 6 months and accrues interest of 20% during that period and is secured against by 30m shares held by the Company in European Lithium Limited (ASX: EUR). The Company has paid introducer and facilitation fees of 9% of the loan amount totalling \$198,000. On 30 June 2020, the Company advised that the parties agreed to vary the terms of the Winance Loan with the final maturity date being extended from 23 July 2020 to 30 November 2020. In addition, the parties agreed set repayment dates for the principal amount of A\$2.2m and interest payments and well as conversion mechanisms for the repayments (refer ASX Announcement 30 June 2020 for full details). The Company has accrued pro-rata extension and broker fees of \$131,277 at 30 June 2020 for the revised arrangement. Subsequent to the year end on 17 September 2020, the Company announced that the Company has agreed with Winance that the principle amount of \$2.2m plus accrued interest and outstanding fees will be converted into equity (subject to receipt of shareholder approval) based on a share price of AUD \$0.004 on 30 November 2020. All other terms and conditions of the Winance Loan remain unchanged.

On 19 November 2018, the Company entered into a loan of USD\$500,000 (AUD\$711k) from First Investments Holding Ltd (First Investments). On 12 March 2019, the Company entered into a second loan of USD\$500,000 (AUD\$711k) with First Investments. On 11 May 2020, the Company issued 160,678,538 shares to First Investments as settlement of borrowings with First Investments of US\$1,000,000 plus accrued interest. The issue of these shares was approved by shareholders at its 2019 annual general meeting held on 11 February 2020.

Placements and Capital Movements

On 8 August 2019, the Company issued 10,082,093 fully paid ordinary shares at an issue price of \$0.0085 per share to Magna upon the conversion of 84,831 notes.

DIRECTORS' REPORT

On 11 September 2019, the Company issued 6,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 30 notes.

On 11 September 2019, the Company issued 22,464,026 fully paid ordinary shares at an issue price of \$0.0051 per share to Magna upon the conversion of 71,000 notes.

On 19 September 2019, the Company issued 4,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 20 notes.

On 24 September 2019, the Company issued 4,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 20 notes.

On 30 September 2019, the Company issued 12,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 60 notes.

On 11 October 2019, the Company issued 4,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 20 notes.

On 23 October 2019, the Company issued 12,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 60 notes.

On 24 October 2019, the Company issued 10,000,144 fully paid ordinary shares at an issue price of \$0.005 per share to Magna upon the conversion of 31,255 notes.

On 6 January 2020, the Company issued 12,000,000 fully paid ordinary shares at an issue price of \$0.005 per share to Winance upon the conversion of 60 notes.

On 19 February 2020, the Company issued 60,788,463 shares to settle liabilities of \$607,885 at a deemed issue price of \$0.01 per share as approved by shareholders at the Company's AGM held on 11 February 2020 (resolutions 10-14). On the same day, the Company issued 20,000,000 fully paid ordinary shares at an issue price of \$0.005 per share pursuant to a placement to raise funds of \$100,000 and 21,200,000 unlisted options with an exercise price of \$0.006 expiring 30 June 2023.

On 25 February 2020, the Company issued 10,000,000 fully paid ordinary shares to Winance at an issue price of \$0.005 per share upon the conversion of 50 notes and 9,040,646 fully paid ordinary shares at an issue price of \$0.005 per share to Magna upon the conversion of 25,000 notes.

On 24 October 2019, the Company issued 40,000,000 fully paid ordinary shares to Winance at an issue price of \$0.005 per share upon the conversion of 200 notes.

On 11 May 2020, the Company issued 160,678,538 shares to settle a liability of \$1,606,785 at a deemed issue price of \$0.01 per share as approved by shareholders at the Company's AGM held on 11 February 2020 (resolution 9).

On 15 May 2020, the Company issued 134,000,000 fully paid ordinary shares to Winance at an issue price of \$0.005 per share upon the conversion of 670 notes.

On 5 June 2020, the Company issued 186,000,000 shares to Winance at a deemed issue price of \$0.0015 per shares to settle liabilities of \$279,000.

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.

DIRECTORS' REPORT

RESULTS

The Group made a loss after income tax for the year ended 30 June 2020 of \$1,534,482 (2019: loss of \$6,459,163).

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.

IMPACT OF COVID-19

On 31 January 2020, the World Health Organisation (**WHO**) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Group is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during FY2021.

Management has actively managed the global situation and its impact on the Group's financial condition, operations, and workforce. The Company is engaged in dialogue with the relevant Sierra Leonean authorities in an attempt to have the Marampa Project mining licence reinstated or reissued by mutual agreement. Dialogue has been restricted significantly during the period by the impacts of COVID-19 on travel and government operations. The Company's ability to raise capital has been impacted by COVID-19 and as such, has engaged with the ATO to request the deferral of instalment payments in light of the pandemic.

Although the Group cannot fully estimate the length or gravity of the COVID-19 effect, from its initial assessment, the impact over the next 12 months does not appear to be significant, indicating the entity will be able to continue as a going concern.

EVENTS SUBSEQUENT TO REPORTING DATE

On 4 August 2020, the Company announced the appointment of Mr Terry Donnelly as Non-Executive Chairman and the resignation of Mr Mark Hancock as Non-Executive Director effective 4 August 2020. In addition, the Company announced that Mr Tony Sage would transition from Executive Chairman to Executive Director of the Company. On the same day, the Company announced its intention to undertake a placement at an issue price of \$0.0017 to raise proceeds of up to AUD\$1m. On 3 September 2020, the Company released the notice of meeting for the shareholder meeting to be held on 6 October 2020. The notice confirmed the intention of the Company to increase the placement from AUD\$1m to up to AUD\$2m.

On 25 August 2020, the Company issued 69,722,223 fully paid ordinary shares at an issue price of \$0.0018 per shares to raise funds of \$125,500

On 3 September 2020, the Company announced that it would be holding an extraordinary general meeting of shareholders on 6 October 2020. The notice of meeting includes resolutions to vary the floor price of the remaining Winance notes from \$0.005 per share to \$0.002 per share (resolution 1), approval for the issue of shares to Winance in satisfaction of accrued interest of \$219,778 (resolution 3), approval for the conversion of amount owing to Directors of the Company of \$343,300 into shares (resolutions 4-6), approval for the issue of shares to the Company's new Chairman (resolution 7), approval to issue shares pursuant to a placement at an issue price of \$0.0017 per share to raise funds of \$2m (resolution 8), approval to issue shares at an issue price of \$0.0015 per share to convert amounts owing to a creditor of the Company of \$188,447 into shares (resolution 9) and approval to change the name of the Company to Cyclone Metals Limited (resolution 12).

DIRECTORS' REPORT

On 11 September 2020, the Company announced that it has lodged applications for two tenements in the Carnarvon basins of Western Australia.

On 17 September 2020 the Company issued 10,000,000 fully paid ordinary shares upon the exercise of options with an exercise price of \$0.006 expiring 30 June 2023. On the same day, the Company announced that the Company has agreed with Winance that the principle amount of \$2.2m plus accrued interest and outstanding fees will be converted into equity (subject to receipt of shareholder approval) based on a share price of AUD \$0.004 on 30 November 2020. All other terms and conditions of the Winance Loan remain unchanged.

The impact of Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the business up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There have been no other events subsequent to 30 June 2020 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.

The Group is also subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007. The National Greenhouse and Energy Reporting Act 2007 require the Group to report its annual greenhouse gas emissions and energy use.

For the year ended 30 June 2020 the Group was below the reported threshold for legislative reporting requirements therefore is not required to register or report. The Group will continue to monitor its registration and reporting requirements however it does not expect to have future reporting requirements.

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*.

DIRECTORS' REPORT

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO, 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 BDO 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 | | Remuneration Committee | |
|---------------|--------------------|----------|------------------------|----------|
| | Eligible to Attend | Attended | Eligible to Attend | Attended |
| Tony Sage | 4 | 4 | - | - |
| Tim Turner | 4 | 4 | 4 | 4 |
| Stefan Müller | 3 | 3 | 4 | 4 |
| Mark Hancock | 1 | 1 | - | - |

REMUNERATION REPORT (AUDITED)

This remuneration report for the year ended 30 June 2020 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*.

Remuneration Policy for Directors and Other Key Management Personnel

The remuneration report details the remuneration arrangements for key management personnel (**KMP**), 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

S Müller – Non-Executive Director (retired 11 February 2020)

M Hancock – Non-Executive Director (appointed 11 February 2020)

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 sporadically 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).

DIRECTORS' REPORT

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. The Company did not engage external remuneration consultants to advise the Board on remuneration matters during the year.

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 \$0.001 and a high of \$0.012. 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.

| | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|----------------|----------------|-------------|---------------|---------------|
| Closing Share Price 30 June | \$0.019 | \$0.029 | \$0.03 | \$0.009 | \$0.002 |
| Profit/(Loss) for the year attributable to members of Cape Lambert Resources Limited | (\$30,470,607) | (\$10,781,531) | (\$651,170) | (\$6,459,163) | (\$1,534,482) |
| Basic EPS | (\$0.0469) | (\$0.0148) | (\$0.0748) | (\$0.64) | (\$0.13) |

DIRECTORS' REPORT

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:

| | Short Term Benefits Cash Salary & Fees \$ | Post- employ ment benefits \$ | Long term benefit Leave \$ | Share Based Payments – Equity Options \$ | Total \$ | % of Total Remuneration | | |
|--------------|---|---|--|--|-------------|-------------------------|--|---|
| | | | | | | Fixed % | At Risk Short Term Incentive % | At Risk Long Term Incentive (Options) % |
| 30 June 2020 | | | | | | | | |
| Directors | | | | | | | | |
| T Sage | 500,000 | - | - | - | 500,000 | 100% | 0% | 0% |
| T Turner | 60,000 | - | - | - | 60,000 | 100% | 0% | 0% |
| S Müller | 14,667 | - | - | - | 14,667 | 100% | 0% | 0% |
| M Hancock | 18,480 | - | - | - | 18,480 | 100% | 0% | 0% |
| Total | 593,147 | - | - | - | 593,147 | 100% | 0% | 0% |
| 30 June 2019 | | | | | | | | |
| Directors | | | | | | | | |
| T Sage | 700,000 | - | - | - | 700,000 | 100% | 0% | 0% |
| T Turner | 60,000 | - | - | - | 60,000 | 100% | 0% | 0% |
| S Müller | 24,000 | - | - | 3,005 | 27,005 | 99% | 0% | 1% |
| Total | 784,000 | - | - | 3,005 | 787,005 | 99% | 0% | 1% |

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.

Additional disclosures relating to options and shares

Options awarded, vested and lapsed

There were no share options granted to executives as remuneration during the year ended 30 June 2020. In addition, no share options lapsed during the current year ended 30 June 2020.

Option holdings of directors and key management personnel

| | Balance 1-Jul-19 No. | Granted as remuneration No. | Lapsed during the year No. | Exercised during the year No. | Other No. | Balance 30-Jun-19 No. | Vested and exercisable 30-Jun-20 No. |
|------------------|----------------------------|-----------------------------------|-------------------------------------|--|--------------|-----------------------------|---|
| <i>Directors</i> | | | | | | | |
| T Sage | - | - | - | - | - | - | - |
| T Turner | - | - | - | - | - | - | - |
| S Müller | - | - | - | - | - | - | - |
| M Hancock | - | - | - | - | - | - | - |
| | - | - | - | - | - | - | - |

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:

DIRECTORS' REPORT

| | Balance 1-Jul-19 No. | Conversion of debt No. | Received on exercise of options No. | On market purchases No. | On market sales No. | Other net change No. | Balance 30-Jun-20 No. |
|------------------|----------------------------|------------------------------|--|-------------------------------|------------------------------|----------------------------|-----------------------------|
| <i>Directors</i> | | | | | | | |
| T Sage | 77,766,681 | 38,499,995 ¹ | - | - | - | - | 116,266,676 |
| T Turner | 1,523,000 | 2,200,000 ² | - | - | - | - | 3,723,000 |
| S Müller | 3,000,000 | - | - | 500,000 | - | (3,500,000) ³ | - |
| M Hancock | - | - | - | - | - | - | - |
| | 82,289,681 | 40,699,995 | - | 500,000 | - | (3,500,000) | 119,989,676 |

¹ On 19 February 2020, Mr Sage was issued 38,499,995 shares as approved by shareholders at the 2019 AGM held on 11 February 2020. These shares were issued to satisfy debts owing of \$384,999.95.

² On 19 February 2020, Mr Turner was issued 2,200,000 shares as approved by shareholders at the 2019 AGM held on 11 February 2020. These shares were issued to satisfy debts owing of \$22,000.

³ Mr Muller retired on 11 February 2020. This is the shareholding of Mr Muller at the time of retirement.

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> | | | | | | |
| DGWA GmbH | 2020 | - | 19,610 | - | - | - |
| DGWA GmbH | 2019 | - | 114,647 | - | - | 38,356 |
| Fashion Council WA | 2020 | - | - | - | - | - |
| Fashion Council WA | 2019 | - | 2,955 | - | - | - |
| Okewood Pty Ltd | 2020 | - | 426,015 | - | - | 200,944 |
| Okewood Pty Ltd | 2019 | - | 568,020 | - | - | - |

DGWA GmbH is an entity controlled by Stefan Müller. Stefan Muller retired as a Director of the Company on 11 February 2020, the above transactions reflect the provision of investor relations and public relation consulting services with DGWA up until the date of resignation.

Perth Fashion Festival Pty Ltd and Okewood Pty Ltd are entities controlled by Tony Sage. During the year ended 30 June 2020 a total amount of \$Nil (30 June 2019: \$2,955) was paid to Perth Fashion Festival Pty Ltd for events held by the Perth Fashion Festival. All transactions were on an arm's length basis.

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 1,148m² 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. The Company did not extend the lease when it expired on 31 March 2020.

Conversion of debt

On 5 June 2020 the Company announced that it had come to an agreement with various creditors of the Company to convert debt into equity based on a share price of \$0.0015 per share (**Creditor Conversions**). The Creditor Conversion

DIRECTORS' REPORT

includes a portion of amount owing to Directors of the Company. The issue of 228,866,754 shares to Directors of the Company will be subject to shareholder approval at the Company's next general meeting.

Service Agreements

Executive Director

During the year, the Company entered into a new consultancy agreement with Okewood Pty Ltd (**Okewood**) to provide Director services to Cape Lambert including specific responsibilities for all negotiations and strategic networking to facilitate the acquisition and disposal of assets of the Company. An Addendum was entered into covering the period 31 October 2019 to 31 December 2019 (representing the period of expiry from the previous contract until the terms of a new contract had been agreed) based on a set fee of \$400,000 (plus GST) per annum. A new three-year term (effective from 1 January 2020) consultancy contract was executed to provide Director services to the Company for a period of 3 years set fee of \$400,000 (plus GST) per annum. The revised set fee represents a 43% reduction from the previous fee. The consultancy contract has a 3-month termination notice (or payment in lieu of notice, subject to the Corporations Act and Listing Rules), without cause, for either party.

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 Stefan Müller were approved by the Board on 4 December 2017 with a fee of \$24,000 per annum exclusive of GST.

The engagement conditions of non-executive director Mark Hancock was approved by the Board on 11 February 2020 with a fee of A\$48,000 per annum exclusive of GST.

Director Loans

At 30 June 2020, there was a loan of \$2,934 owing from Tony Sage to the Company.

2019 Annual General Meeting

The Company received 95.05% of 'yes' votes and 4.95% 'no' votes on its remuneration report for the year ended 30 June 2019.

This is the end of the audited remuneration report

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 year \$Nil was paid or payable (2019: \$Nil) to the auditor or its related practices for non-audit services.

DIRECTORS' REPORT

Share Options

Share Options Granted to Directors and Employees and Consultants

There were no options granted to Directors, employees and consultants during the period.

Share Options Granted to Corporate Advisors

On 19 February 2020, the Company issued 1,200,000 unlisted options to Empire Capital Pty Ltd for services provided in relation to the placement which completed on the same 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 | Exercise price of shares | Number under option |
|----------------------|------------------|--------------------------|---------------------|
| 29 November 2018 | 30 June 2021 | \$0.03 | 15,000,000 |
| 29 November 2018 | 13 December 2020 | \$0.05 | 5,000,000 |
| 11 February 2020 | 30 June 2023 | \$0.006 | 11,200,000 |

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

During the year, there were no share options exercised. 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 18 for the year ended 30 June 2020.

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



Tony Sage

Executive Director

Dated this 30th day of September 2020

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

As lead auditor of Cape Lambert Resources Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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



Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2020

CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement for the year ended 30 June 2020 (which reports against these ASX Principles) may be accessed from the Company's website at www.capelam.com.au.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020**

| | Note | 2020 | 2019 |
|---|-------------|--------------------|--------------------|
| | | \$ | \$ |
| Revenue | 3(a) | 324,910 | 278,746 |
| Gain on extinguishment of liability | 19 | 787,568 | - |
| Other income | 3(b) | 2,522,638 | 79,316 |
| Share based payments | 5(c) | (5,178) | (3,005) |
| Directors remuneration and employee benefits expenses | | (640,016) | (827,806) |
| Consulting and professional services | | (494,938) | (969,026) |
| Occupancy expenses | 3(c) | (507,032) | (639,961) |
| Compliance and regulatory expenses | | (139,342) | (141,087) |
| Travel and accommodation | | (30,319) | (82,145) |
| Depreciation and amortisation expense | 10 | (16,242) | (29,430) |
| (Loss)/gain on fair value of financial assets through profit & loss | 3(e) | (112,376) | (721,956) |
| Finance expenses | 3(f) | (1,673,840) | (132,949) |
| Other expenses | 3(d) | (199,053) | (359,169) |
| (Impairment)/reversal of impairment of receivable | | 3,190 | (42,942) |
| Impairment of investment in associate | 11(e) | (2,991,912) | (718,723) |
| Exploration and evaluation expenditure (expenditure)/reversal | 13 | (334,648) | 2,647,350 |
| Impairment of investment | | - | (52,565) |
| (Impairment)/reversal of impairment in joint venture | 12 | 57,489 | (3,383,317) |
| Share of net profits/(losses) of associates accounted for using the equity method | 11(b) | 1,430,813 | (919,462) |
| Share of net losses of joint venture accounted for using the equity method | 12(a) | - | (1,006,302) |
| Gain on dilution of interest in associate | 11(b) | 483,806 | 565,270 |
| Loss before income tax | | (1,534,482) | (6,459,163) |
| Income tax (expense)/benefit | 4 | - | - |
| Net loss for the year | | (1,534,482) | (6,459,163) |
| Other comprehensive income/(expenditure) net of tax | | | |
| <i>Items that may be reclassified subsequently to profit and loss</i> | | | |
| Foreign exchange differences arising on translation of foreign operations | | (11,351) | (151,579) |
| Share of reserves of associates accounted for using the equity method | | 95,513 | 187,007 |
| Other comprehensive loss for the year | | 84,162 | 35,428 |
| Total comprehensive loss for the year | | (1,450,321) | (6,423,735) |
| Loss per share for the year: | | | |
| Basic loss per share (cents per share) | 22 | (0.13) | (0.64) |
| Diluted loss per share (cents per share) | 22 | (0.13) | (0.64) |

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

| | Note | 2020 \$ | 2019 \$ |
|---|-------|--------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 29(a) | 238,222 | 210,106 |
| Restricted cash and cash equivalents | 9 | 12,500 | 12,500 |
| Trade and other receivables | 7 | 293,305 | 224,612 |
| TOTAL CURRENT ASSETS | | 544,027 | 447,218 |
| NON-CURRENT ASSETS | | | |
| Other financial assets | 8 | 884,679 | 997,055 |
| Restricted cash | 9 | - | 81,833 |
| Plant and equipment | 10 | 81,923 | 94,725 |
| Investments accounted for using equity method | 11 | 5,052,941 | 6,030,739 |
| Investment in joint venture accounted for using equity method | 12 | - | - |
| Exploration and evaluation expenditure | 13 | - | - |
| TOTAL NON-CURRENT ASSETS | | 6,019,543 | 7,204,352 |
| TOTAL ASSETS | | 6,563,570 | 7,651,570 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 14 | 2,506,410 | 4,626,822 |
| Provisions | 15 | 81,137 | 206,257 |
| Current tax liabilities | 18 | 1,773,171 | 1,041,679 |
| Convertible note | 16 | 206,773 | 459,737 |
| Short term loan payable | 17 | 2,200,000 | 733,001 |
| TOTAL CURRENT LIABILITIES | | 6,767,491 | 7,067,496 |
| NON-CURRENT LIABILITIES | | | |
| Long term loan payable | 17 | - | 689,734 |
| Convertible note | 16 | 69,643 | - |
| Non-current tax liabilities | 18 | 1,300,861 | 2,861,893 |
| TOTAL NON-CURRENT LIABILITIES | | 1,370,504 | 3,551,627 |
| TOTAL LIABILITIES | | 8,137,995 | 10,619,123 |
| NET LIABILITIES | | (1,574,425) | (2,967,553) |
| EQUITY | | | |
| Issued capital | 19 | 206,133,405 | 203,295,135 |
| Reserves | 20 | 23,885,680 | 23,796,340 |
| Accumulated losses | 21 | (231,593,510) | (230,059,028) |
| Parent interests | | (1,574,425) | (2,967,553) |
| TOTAL DEFICIENCY IN EQUITY | | (1,574,425) | (2,967,553) |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2020

| | Note | Issued Capital \$ | Accumulated Losses \$ | Share Based Payment Reserve \$ | Foreign Currency Translation Reserve \$ | Equity Reserve \$ | Total Equity \$ |
|--|------|-------------------------|-----------------------------|--|---|-------------------------|--------------------|
| At 1 July 2019 | | 203,295,135 | (230,059,028) | 2,677,884 | 22,208,957 | (1,090,501) | (2,967,553) |
| Loss for the year | | - | (1,534,482) | - | - | - | (1,534,482) |
| Share of reserves of associates | 20 | - | - | 73,971 | 21,542 | - | 95,513 |
| Forex (gain) / loss on translation of foreign operations | 20 | - | - | - | (11,351) | - | (11,351) |
| Total comprehensive loss for the year | | - | (1,534,482) | 73,971 | 10,191 | - | (1,450,321) |
| Placement of shares (net of costs) | 19 | 2,844,270 | - | - | - | - | 2,844,270 |
| Share based payments expense | 5(c) | - | - | 5,178 | - | - | 5,178 |
| Capital raising costs | 19 | (6,000) | - | - | - | - | (6,000) |
| At 30 June 2020 | | 206,133,405 | (231,593,510) | 2,757,033 | 22,219,148 | (1,090,501) | (1,574,425) |
| At 1 July 2018 | | 200,730,051 | (223,599,865) | 2,392,942 | 22,302,495 | (1,090,501) | 735,120 |
| Loss for the year | | - | (6,459,163) | - | - | - | (6,459,163) |
| Share of reserves of associates | 20 | - | - | 128,966 | 58,041 | - | 187,007 |
| Forex (gain) / loss on translation of foreign operations | 20 | - | - | - | (151,579) | - | (151,579) |
| Total comprehensive loss for the year | | - | (6,459,163) | 128,966 | (93,538) | - | (6,423,734) |
| Placement of shares (net of costs) | 19 | 2,799,055 | - | - | - | - | 2,799,055 |
| Share based payments expense | | (152,971) | - | 155,976 | - | - | 3005 |
| Capital raising costs | | (81,000) | - | - | - | - | (81,000) |
| At 30 June 2020 | | 203,295,135 | (230,059,028) | 2,677,884 | 22,208,957 | (1,090,501) | (2,967,553) |

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 2020

| | Note | 2020 \$ | 2019 \$ |
|--|-------|-----------------------|-----------------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | | |
| Payments to suppliers and employees (inclusive of GST) | | (1,310,844) | (2,438,431) |
| Interest received | | 763 | 3,048 |
| Income tax paid | 18 | (829,541) | (1,299,869) |
| Release funds from restricted to non-restricted | | 81,833 | - |
| Net cash used in operating activities | 29(b) | <u>(2,057,789)</u> | <u>(3,735,252)</u> |
| CASHFLOWS FROM INVESTING ACTIVITIES | | | |
| Payment for acquiring interests in associated entities | 11(b) | (3,982) | - |
| Payment for acquiring shares in listed entities | 8(a) | - | (3,854) |
| Payments for exploration and evaluation | | (606,046) | (978,792) |
| Investment in joint venture | 12(a) | - | (1,506,893) |
| Purchase of property, plant and equipment | 10 | (1,850) | (14,579) |
| Proceeds from sale of equity investments | | - | 999,052 |
| Net cash (used in) investing activities | | <u>(611,878)</u> | <u>(1,505,066)</u> |
| CASHFLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares, net of costs | 19 | 100,000 | 2,609,741 |
| Transaction costs related to issue of shares, convertible notes or options | | (506,570) | (37,350) |
| Proceeds from issue of convertible note | 16 | 1,200,000 | 750,000 |
| Proceeds from issuing loan note | 17(a) | 2,200,000 | 1,395,169 |
| Transaction costs related to loans and borrowings | | (223,435) | - |
| Repayment of loan note | | (72,212) | (282,658) |
| Net cash (used in) financing activities | | <u>2,697,783</u> | <u>4,434,902</u> |
| Net decrease in cash and cash equivalents | | 28,116 | (805,416) |
| Cash and cash equivalents at beginning of period | | 210,106 | 1,015,522 |
| Cash and cash equivalents at end of period | 29(a) | <u>238,222</u> | <u>210,106</u> |

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 2020 were authorised for issue in accordance with a resolution of the directors on 30 September 2020.

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 Securities 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 26. Information on other related party relationships is provided in Note 28.

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.

For the year ended 30 June 2020 the Group incurred a loss after income tax of \$1,534,482 (30 June 2019: \$6,459,163), net cash outflows from operating activities of \$2,057,789 (30 June 2019: \$3,735,252), a working capital deficiency of \$6,223,464 (30 June 2019: \$6,620,278) and at that date had cash on hand of \$238,222 (30 June 2019: \$210,106).

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

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

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

- The Group is progressing towards the reissuance of the relevant licences at the Marampa Iron Ore Project and developing the project. This process has been delayed due to COVID 19 related restrictions. While this process is taking place, the Company has commenced discussions with potential off takers regarding the provision of prepayments or other development funding so it can respond quickly if the licence is re-established;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The Group requires additional capital for its next phase. The Company's current intention is to complete a placement of A\$2m pending receipt of shareholder approval at the extraordinary general meeting scheduled for 6 October 2020;
- Unpaid Directors fees are not due or payable by the Company until it completes a capital raising or secures an operational revenue stream;
- Continued support from external creditors allowing for the deferred payment of certain liabilities;
- Continued support from current debt holders of the Company;
- The Company has established the Winance convertible loan note facility (refer note 16) allowing access to funds for the purposes of working capital and project development subsequent to the full repayment of the initial draw down;
- The Company has agreed with Winance to convert the loan principle amount of \$2.2m plus accrued interest and outstanding fees into equity (subject to receipt of shareholder approval) based on a share price of AUD \$0.004 on 30 November 2020 (refer subsequent events);
- The Group is engaging with the ATO to request the deferral of instalment payments on light of the COVID-19 pandemic;
- The Group has successfully negotiated for the settlement of various liabilities, including amounts owed to Directors, into equity;
- Conversion of convertible note debt to equity post period end; and
- Ability to realise certain of the Groups financial assets through the sale of its listed shares.

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

(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*New accounting standards adopted in the current period*

The Company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period. Adoption of these standards and interpretations did not have any effect on the statements of financial position or performance of the Company. The Company 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 2020:

Interpretation 23 Uncertainty over Income Tax Treatments

The Group has adopted Interpretation 23 with the date of initial application being 1 July 2019.

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

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

AASB 16 Leases

The Group has adopted AASB 16 with the date of initial application being 1 July 2019. AASB 16, which supersedes AASB 117 Leases (AASB 117) and related interpretations, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

At 1 July 2019 it was determined that the adoption of AASB 16 had no material impact on the Group.

New accounting standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

| Title | Summary | Application date of standard | Application date for the Group |
|--|---|---|--------------------------------|
| Conceptual Framework for Financial Reporting and relevant amending standards | <p>The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows:</p> <ul style="list-style-type: none"> • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance <p><i>Amendments to References to the Conceptual Framework in IFRS Standards</i> has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.</p> | This standard is not expected to have a material impact on the Group's financial statements and disclosures | 1 July 2020 |
| AASB 2018-7 Definition of | This Standard amends AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in</i> | This standard is not expected to | 1 July 2020 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Title | Summary | Application date of standard | Application date for the Group |
|--|--|--|--------------------------------|
| Material (Amendments to AASB 101 and AASB 108) | <i>Accounting Estimates and Errors</i> to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. | have a material impact on the Group's financial statements and disclosures | |

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 2019 (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
- 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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 and other receivables

Trade receivables are initially recognised at their transaction price and other receivables at fair value. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest are classified and subsequently measured at amortised cost. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises the lifetime expected credit loss for trade receivables carried at amortised cost. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as forecast conditions at the reporting date.

For all other receivables measured at amortised cost, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to expected credit losses within the next 12 months.

The Group considers an event of default has occurred when a financial asset is more than 120 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(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' 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

- a. 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;
- b. 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
- c. 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.

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.

Trade and other payables extinguished through issue of equity

When equity instruments are issued to a creditor to extinguish all or part of a financial liability are recognised, the Group measures them at the fair value on the date the equity instruments are issued, unless that fair value can't be reliably measured. Any difference between the carrying amount of the liability extinguished and the fair value of the equity issued on the date of issuance is recognised in the profit or loss as a gain or loss on extinguishment of liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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(t) 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) Convertible notes

Convertible notes (with embedded derivatives), that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of liability is recognised in the statement of profit or loss.

(q) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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.

(r) 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.

(s) 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 to which the Group expect to be entitled to in exchange for transferring goods or services to a customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Rent

Rent revenue is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rental are recognised as income in the period when earned.

Interest Revenue

Interest revenue is recognised using the effective interest rate method.

(t) 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.

(u) 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.

(v) 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.

(w) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

(x) Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonably certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. Lease liabilities are remeasured when there is a change in future lease payments arising from a change in an index or rate or when there is a change in the assessment of the term of any lease.

(y) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(z) Parent entity financial information

The financial information for the parent entity, Cape Lambert Resources Limited, disclosed in note 31 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. 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.

(z) 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 reporting 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(u). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2020, management have recognised impairment losses in respect of those assets which had a carrying value which exceeded their recoverable amounts.

Accounting for Investments

The Group makes judgements as to its level of influence over its investments, which impacts how it accounts for these investments. The Group may determine that control of an investment exists, despite its interest in it being less than 50%. The criteria for this assessment includes: power over the investee; the right to variable returns from its involvement with the investee; and the ability to use power over investee to affect investment returns. If, on the balance of these criteria, control is deemed to exist, the Group accounts for its investment using the consolidation method. The Group may also determine that significant influence of an investment exists, despite its interest in it being less than 20%. The criteria for this assessment includes: representation on the investee's board of directors, participation in policy making processes; material transactions between investor and investee; interchange of managerial personnel; and the provision of essential technical information. If, on the balance of these criteria, significant influence is deemed to exist, the Group accounts for its investment using the equity method.

Fair Value of Convertible Notes

Convertible notes (with embedded derivatives), that do not contain an equity component are accounted for as a financial liability through profit or loss with a value equating to the total proceed/face value with no day one gain or loss and subsequently value will change depending on the changes in the share price/ redemption event and or accretion of the value of the discount on the note. If the convertible note is converted, the carrying amounts of the derivative and liability components are transferred to share capital as consideration for the shares issued. If the note is redeemed, any difference between the amount paid and the carrying amounts of liability is recognised in the statement of profit or loss.

Withholding Tax Provision

During the year the Company has reassessed the provision for withholding tax and as a result has determined that the historical withholding tax amount dating back to 2009 be reversed. Given the passage of time and the absence of correspondence on the matter with no claims to date the Directors have undertaken an assessment in the current financial year and have exercised their judgement in assessing the likelihood of the balance requiring settlement to be remote in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Refer Note 14 for further details.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. PROFIT/(LOSS) FROM OPERATIONS

| | 2020 \$ | 2019 \$ |
|---|--------------------|------------------|
| (a) Revenue | | |
| Interest income | 763 | 2,978 |
| Rental revenue | 324,147 | 275,768 |
| | <u>324,910</u> | <u>278,746</u> |
| (b) Other income | | |
| Unrealised foreign currency exchange gain/(loss) | (69,734) | 1,861 |
| Foreign currency exchange gain/(loss) | (5,572) | (2,286) |
| Finance income withholding tax (note 14) | 2,527,175 | - |
| Other income | 70,769 | 79,741 |
| | <u>2,522,638</u> | <u>79,316</u> |
| (c) Occupancy expenses | | |
| Rental expense relating to operating leases - minimum lease payments | (344,400) | (459,426) |
| Other occupancy expenses | (162,632) | (205,229) |
| Provision for end of lease obligations | - | 24,694 |
| | <u>(507,032)</u> | <u>(639,961)</u> |
| (d) Other expenses | | |
| Administration expenses | (182,402) | (342,977) |
| Exploration expenditure expensed/(reversed) | (27,324) | (15,899) |
| Other expenses | 10,672 | (293) |
| | <u>(199,053)</u> | <u>(359,169)</u> |
| (e) Gain / (loss) on fair value of financial assets through profit and loss | | |
| Gain / (loss) on fair value of financial assets (shares in listed entities) through profit and loss (note 8(a)) | (112,376) | (721,956) |
| | <u>(112,376)</u> | <u>(721,956)</u> |
| (f) Finance expenses | | |
| Interest on First Investment loan (note 17) | (44,553) | (32,240) |
| Interest on Winance loan (note 17) | (391,333) | - |
| Default payments on Magna convertible note facility | (295,770) | - |
| Recognise the fair value of shares through settlement of liabilities | 405,687 | - |
| Cash shortfall payments on the Winance convertible note facility | (658,000) | - |
| Winance Loan financing fees | (354,712) | - |
| Winance convertible note financing fees | (142,800) | - |
| Magna convertible note financing fees | - | (30,000) |
| Convertible note at fair value through profit or loss (note 16) | (192,359) | (70,709) |
| | <u>(1,673,840)</u> | <u>(132,949)</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. INCOME TAXES

Major components of income tax expense for the year are:

Income statement*Current income*

Current income tax charge / (benefit)

Income tax (benefit) / expense reported in income statement

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| | - | - |
| | - | - |
| | - | - |
| | - | - |

Statement of changes in equity

Income tax expense reported in equity

| | | |
|--|---|---|
| | - | - |
|--|---|---|

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:

| | 2020 \$ | 2019 \$ |
|--|-------------|-------------|
| Accounting (loss) before income tax | (1,534,482) | (6,459,163) |
| Income tax benefit at the statutory income tax rate of 30% (2019: 30%) | (460,345) | (1,937,749) |
| Adjusted for: | | |
| Non-deductible expenses | 21,251 | (373) |
| Share based payments | 1,554 | 901 |
| Deferred tax assets and tax losses not recognised | 1,056,634 | 1,288,105 |
| Share of losses of associates | (574,385) | 408,148 |
| Impairment loss on loans and receivables | (758,153) | - |
| Impairment/de-recognition of exploration assets | 52,142 | 25,351 |
| Withholding tax | (236,272) | - |
| Impairment loss on associates | 897,574 | 215,617 |
| Income tax expense / (benefit) reported in income statement | - | - |

Recognised deferred tax assets and liabilities

The deferred tax liability balance comprises temporary differences attributable to:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| The deferred tax liability balance comprises temporary differences attributable to: | | |
| Accrued income | 667,800 | 516,101 |
| Capitalised expenditure | (314,108) | (314,108) |
| Unrealised foreign exchange gains / losses | (683,645) | (676,406) |
| Financial assets | 3,298,304 | 3,264,591 |
| Bad debts | (20,687) | (19,730) |
| Costs deductible over five years | 32,029 | 101,689 |
| Deferred tax liability | 2,979,693 | 2,872,137 |

The deferred tax asset balance comprises temporary differences attributable to:

| | | |
|-------------------------------------|-------------|-------------|
| Accrued expenses and provisions | (2,979,693) | (2,872,137) |
| Deferred tax asset | (2,979,693) | (2,872,137) |
| Net deferred tax asset /(liability) | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Movement in temporary differences during the current year

| | Balance 1 July 2019 | Recognised in Income | Balance 30 June 2020 |
|---|------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Consolidated | | | |
| Accrued expenses and provisions | 516,101 | 151,699 | 667,800 |
| Financial assets | 3,264,591 | 33,713 | 3,298,304 |
| Capitalised exploration expenditure | (314,109) | - | (314,109) |
| Unrealised foreign exchange gains / losses | (676,406) | (7,239) | (683,645) |
| Other | 81,959 | (70,617) | 11,342 |
| Net deferred tax asset / (liability) | 2,872,137 | 107,556 | 2,979,693 |

Movement in temporary differences during the prior year

| | Balance 1 July 2018 | Recognised in Income | Balance 30 June 2019 |
|---|------------------------|-------------------------|-------------------------|
| | \$ | \$ | \$ |
| Consolidated | | | |
| Accrued expenses and provisions | 854,528 | (338,427) | 516,101 |
| Financial assets | 3,074,235 | 190,356 | 3,264,591 |
| Capitalised exploration expenditure | 801,480 | (1,115,588) | (314,108) |
| Unrealised foreign exchange gains / losses | (676,406) | - | (676,406) |
| Other | 148,158 | (66,199) | 81,959 |
| Net deferred tax asset / (liability) | 4,201,995 | (1,329,859) | 2,872,137 |

| | 2020 | 2019 |
|---|-------------|-------------|
| | \$ | \$ |
| Unrecognised deferred tax assets | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Tax losses | 220,797,787 | 217,951,607 |
| @ 30% | 66,239,336 | 65,385,482 |

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.

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

There were no shares issued as share based payments made during the year.

Share-based payments granted during the prior year

There were no shares issued as share based payments made during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Options**Options granted as share based payments during the current year**

The following options were granted as share based payment arrangements during the year ended 30 June 2020:

On 19 February 2020, the Company issued 1,200,000 unlisted options to Empire Capital Pty Ltd for services provided in relation to the placement which completed on the same date.

The fair value of the equity-settled share options granted is estimated as at the date of grant using the Black Scholes model taking into account the terms and conditions upon which the options were granted, as the fair value of services rendered could not be reliably estimated.

| | Assumption |
|--------------------------|-------------------|
| Number options issued | 1,200,000 |
| Dividend yield | 0.00% |
| Expected volatility | 117% |
| Risk-free interest rate | 0.70% |
| Expected life of options | 3.36 years |
| Exercise price | \$0.006 |
| Grant date share price | \$0.006 |
| Fair value per option | \$0.0043 |

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Options outstanding at reporting date for share based payments

The following options were outstanding at 30 June 2020:

| Grant Date | Exercise Price | Number of Options | Expiry Date | Listed/Unlisted |
|-------------------|-----------------------|--------------------------|--------------------|------------------------|
| 19 February 2020 | \$0.006 | 1,200,000 | 30 June 2023 | Unlisted |
| 29 November 2018 | \$0.03 | 15,000,000 | 30 June 2021 | Unlisted |
| 29 November 2018 | \$0.05 | 5,000,000 | 13 December 2020 | Unlisted |
| | | <u>21,200,000</u> | | |

Reconciliation of options on issue

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

| | 2020 | | 2019 | |
|--|--------------------------|---|--------------------------|---|
| | Number of Options | Weighted Average Exercise Price \$ | Number of Options | Weighted Average Exercise Price \$ |
| Balance at beginning of the financial year | 30,250,000 | 0.04 | 10,250,000 | 0.05 |
| Granted during the financial year | 21,200,000 | 0.006 | 30,000,000 | 0.048 |
| Exercised during the financial year | - | - | - | - |
| Lapsed during the financial year | (10,250,000) | 0.055 | (10,000,000) | 0.075 |
| Forfeited during the financial year | - | - | - | - |
| Balance at end of the financial year | <u>41,200,000</u> | <u>0.02</u> | <u>30,250,000</u> | <u>0.04</u> |
| Exercisable at end of the financial year | <u>41,200,000</u> | <u>0.02</u> | <u>30,250,000</u> | <u>0.04</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Expenses arising from share-based payments

Total costs arising from share-based payment transactions recognised as expenses during the year are as follows:

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Options issued to employees and consultants | 5,178 | - |
| Options issued to directors | - | 3,005 |
| Total expense recognised in profit or loss | 5,178 | 3,005 |
| Options issued for capital raising costs | - | 152,971 |
| Total expense recognised in equity | - | 152,971 |
| Shares issued to settle liabilities | - | 113,967 |
| Total expense recognised against liabilities | - | 113,967 |
| Total share-based payments expense | - | 269,943 |

The 2020 and 2019 expense relates to the issue of the options detailed in note 5(b) above.

6. REMUNERATION OF AUDITORS

The auditor of Cape Lambert Resources Limited is BDO (WA) Pty Ltd.

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| <i>Amounts received or due and receivable by BDO (WA) Pty Ltd for:</i> | | |
| An audit or review of the financial report of the entity and any other entity in the consolidated group | 53,801 | 58,709 |
| | 53,801 | 58,709 |

7. TRADE AND OTHER RECEIVABLES

| | Note | 2020 \$ | 2019 \$ |
|--|------|-------------|-------------|
| Trade and other receivables – current | | | |
| Trade debtors | | 3,850,527 | 3,756,348 |
| GST recoverable and other debtors | | 26,321 | 53,527 |
| Prepayments | | 10,236 | 11,706 |
| Deferred consideration receivable | (a) | 2,500,000 | 2,500,000 |
| Loans receivable | (b) | - | - |
| Allowance for expected credit loss | (c) | (6,093,779) | (6,096,969) |
| | | 293,305 | 224,612 |

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| | Interest rate | Carrying value of loans | |
|--|---------------|-------------------------|--------------|
| | | 2020 \$ | 2019 \$ |
| Convertible loan note of \$250,250 (i) | 15.0% | 159,250 | 159,250 |
| Loan of USD\$8,000,000 (ii) | Libor + 6% | 10,447,200 | 10,447,200 |
| Carrying value of loans | | 10,606,450 | 10,606,450 |
| Impairment of receivables | | (10,606,450) | (10,606,450) |
| Current carrying value at amortised cost at reporting date | | - | - |

- (i) 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.
- (ii) 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 30. An impairment allowance of \$10,606,450 in the current year (30 June 2019: \$10,606,450) has been raised in relation to loans past due and objective evidence of impairment.

Movements in the impairment allowance:

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Opening balance at beginning of the year | 10,606,450 | 10,606,450 |
| Reversal of provision for impairment (receivables converted into loans) | - | - |
| | 10,606,450 | 10,606,450 |

(c) The movement in allowance for doubtful debts is made up as follows:

| | 2020 \$ | 2019 \$ |
|--|-------------|-------------|
| Opening balance at beginning of the year | (6,096,969) | (6,054,027) |
| Impairment of receivable | - | (42,942) |
| Reversal of impairment (repayment of debt) | 3,190 | 68,012 |
| | (6,093,779) | (6,096,969) |

8. OTHER FINANCIAL ASSETS

| | Note | 2020 \$ | 2019 \$ |
|--|------|----------------|----------------|
| Financial Assets at Fair value through Profit or Loss | | | |
| Shares in listed entities | (a) | 867,244 | 979,620 |
| Shares in unlisted entities – at cost | (b) | 17,435 | 17,435 |
| Total Financial Assets | | 884,679 | 997,055 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| | Note | 2020 \$ | 2019 \$ |
|---|-------|----------------|----------------|
| Carrying value at beginning of the year | | 979,620 | 2,497,722 |
| Purchase of equity investments | | - | 3,854 |
| Reclassification of financial asset at fair value through profit or loss to associate | 11(b) | - | 199,052 |
| Disposal of equity investments | | - | (999,052) |
| Gain/(Loss) on fair value of financial assets through profit or loss | 3(e) | (112,376) | (721,956) |
| | | <u>867,244</u> | <u>979,620</u> |

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

| | 2020 \$ | 2019 \$ |
|--|---------------|---------------|
| <i>Movements:</i> | | |
| Carrying value at beginning of year (cost less impairment) | 17,435 | 70,000 |
| Impairment of investment | - | (52,565) |
| | <u>17,435</u> | <u>17,435</u> |

9. RESTRICTED CASH

| | 2020 \$ | 2019 \$ |
|--|---------------|---------------|
| Current | | |
| Term deposits (a) | 12,500 | 12,500 |
| | <u>12,500</u> | <u>12,500</u> |
| <i>(a) Movements:</i> | | |
| Opening balance at beginning of the year | 12,500 | 44,546 |
| Application funds refunded by Fe Limited | - | - |
| Security against loan | - | (32,046) |
| | <u>12,500</u> | <u>12,500</u> |
| Non current | | |
| Term deposits | - | 81,833 |
| | <u>-</u> | <u>81,833</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

| | Plant & Equipment \$ | Buildings \$ | Motor Vehicles \$ | Furniture & Fittings \$ | Leasehold Improvements \$ | Total \$ |
|--|----------------------------|-----------------|-------------------------|-------------------------------|---------------------------------|--------------------|
| Gross carrying amount – at cost | | | | | | |
| At 30 June 2018 | 129,413 | 67,822 | 10,175 | 61,793 | 1,464,351 | 1,733,644 |
| Additions | 10,721 | - | - | - | - | 10,721 |
| Exchange differences | 204 | 3,689 | 553 | 3,214 | - | 7,660 |
| At 30 June 2019 | 140,338 | 71,511 | 10,728 | 65,007 | 1,464,351 | 1,752,025 |
| Additions | 1,850 | - | - | - | - | 1,850 |
| Exchange differences | (213) | 1,570 | 236 | 1,668 | - | 3,261 |
| At 30 June 2020 | 141,975 | 73,081 | 10,964 | 66,675 | 1,464,351 | 1,757,136 |
| Accumulated depreciation | | | | | | |
| At 30 June 2018 | (92,534) | - | (6,478) | (60,617) | (1,464,351) | (1,624,071) |
| Depreciation expense | (25,013) | - | (3,505) | (912) | - | (29,430) |
| Disposal of assets | - | - | - | - | - | - |
| Exchange differences | (194) | - | (414) | (3,191) | - | (3,799) |
| At 30 June 2019 | (117,741) | - | (10,397) | (64,720) | (1,464,351) | (1,657,300) |
| Depreciation expense | (15,711) | - | (346) | (184) | - | (16,242) |
| Disposal of assets | - | - | - | - | - | - |
| Exchange differences | (84) | - | (221) | (1,366) | - | (1,671) |
| At 30 June 2020 | (133,536) | - | (10,964) | (66,270) | (1,464,351) | (1,675,213) |
| Net Book Value | | | | | | |
| At 1 July 2018 | 36,878 | 67,822 | 3,697 | 1,176 | - | 109,573 |
| Additions | 10,721 | - | - | - | - | 10,721 |
| Depreciation expense | (25,013) | - | (3,505) | (912) | - | (29,430) |
| Exchange differences | 10 | 3,689 | 139 | 23 | - | 3,861 |
| At 30 June 2019 | 22,596 | 71,511 | 331 | 287 | - | 94,725 |
| Additions | 1,850 | - | - | - | - | 1,850 |
| Depreciation expense | (15,711) | - | (346) | (184) | - | (16,242) |
| Exchange differences | (297) | 1,570 | 15 | 302 | - | 1,590 |
| At 30 June 2020 | 8,438 | 73,081 | - | 405 | - | 81,923 |

- (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.

11. INVESTMENTS IN ASSOCIATED ENTITIES

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Investments in associates accounted for using the equity method | 5,052,941 | 6,030,739 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Investment details

| | Percentage held at reporting date | | Year ended | Year ended |
|---------------------------------------|-----------------------------------|-------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | % | % | \$ | \$ |
| European Lithium Limited ¹ | 9.73% | 10.96 | 3,156,907 | 3,551,311 |
| Fe Limited | 29.84% | 31.91 | 1,896,034 | 2,479,428 |
| | | | <u>5,052,941</u> | <u>6,030,739</u> |

¹ Although the Company holds less than a 20% interest in European Lithium Ltd (**EUR**), this investment is equity accounted given the significant influence the Company has on EUR 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

| | 2020 | 2019 |
|--|------------------|------------------|
| | \$ | \$ |
| Balance at beginning of period | 6,030,739 | 7,115,698 |
| Sale of shares | - | (199,051) |
| Purchase of shares | 3,982 | - |
| Share of profits/(losses) of associates recognised during the year | 1,430,813 | (919,462) |
| Share of reserves of associates recognised during the year | 95,513 | 187,007 |
| Gain on dilution of interest in associate | 483,806 | 565,270 |
| Impairment (loss) (e) | (2,991,912) | (718,273) |
| | <u>5,052,941</u> | <u>6,030,739</u> |

(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).

| | 2020 | 2019 |
|--------------------------|-----------|-----------|
| | \$ | \$ |
| European Lithium Limited | 3,156,907 | 5,375,968 |
| Fe Limited | 1,896,034 | 2,479,427 |

(d) Summarised financial information*European Lithium Ltd*

The Group has a 9.73% 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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Current assets | 519,753 | 1,509,656 |
| Non-current assets | 36,676,383 | 33,171,140 |
| Current liabilities | (2,642,802) | (2,106,319) |
| Non-current liabilities | (2,098) | - |
| Equity | 34,551,236 | 32,574,477 |
| Group's carrying amount of the investment | 3,156,907 | 3,551,311 |
| Balance at beginning of the year | 3,551,311 | 3,615,329 |
| Purchase of shares | 3,982 | (199,049) |
| Dilution of investment | (44,239) | 359,129 |
| Share of losses | (332,430) | (329,020) |
| Share of movement in reserves | 74,234 | 104,922 |
| Share of issue of equity | 455,032 | - |
| Impairment (based on market value of shares) | (550,983) | - |
| Balance at the end of the year | 3,156,907 | 3,551,311 |
| Revenue and other income | 206,054 | 134,692 |
| Depreciation | (29,253) | (3,565) |
| Loss before tax | (3,257,923) | (2,802,666) |
| Income tax expense | - | - |
| Loss for the year | (3,257,923) | (2,802,666) |
| Total comprehensive income/(loss) for the year | (3,051,931) | (2,319,533) |
| Group's share of profit/(loss) for the year | (332,430) | (329,020) |

The associate has provided bank guarantees to the value of €20,000 in respect of any unrepaired damage to property at the Wolfsberg project. The associate has no other contingent liabilities or capital commitments as at 30 June 2020.

Fe Ltd

The Group has a 29.84% interest in Fe Limited (**FEL**), which is an ASX-listed mineral exploration company. The Group's interest in FEL 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 FEL:

| | 2020 \$ | 2019 \$ |
|--|------------------|------------------|
| Current assets | 7,874,776 | 1,027,106 |
| Non-current assets | 252,635 | 979,617 |
| Current liabilities | (357,326) | (682,355) |
| Equity | 7,770,085 | 1,324,368 |
| Group's carrying amount of the investment | 1,896,034 | 2,479,428 |
| | 2020 \$ | 2019 \$ |
| Balance at beginning of the year | 2,479,428 | 3,500,367 |
| Share of (losses)/profits | 1,763,243 | (590,442) |
| Dilution of investment | (66,132) | 206,141 |
| Share of movement in reserves | 21,279 | 82,085 |
| Share of issue of equity | 139,145 | - |
| Impairment (based on market value of shares) | (2,440,929) | (718,723) |
| Balance at the end of the year | 1,896,034 | 2,479,428 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | 2020 \$ | 2019 \$ |
|---|------------------|--------------------|
| Revenue and other income | 1,662 | 2,979 |
| Depreciation | 1,311 | 70 |
| Profit/(Loss) before tax | 5,987,075 | (1,668,158) |
| Income tax expense | (78,896) | - |
| Loss for the year | 5,908,179 | (1,668,158) |
| Total comprehensive income/(loss) for the year | 5,908,179 | (1,668,158) |
| Group's share of profit/(loss) for the year | 1,763,243 | (590,442) |

The associate has no contingent liabilities or capital commitments as at 30 June 2020.

(e) Impairment assessment

The carrying amounts of the investments in associates were assessed for impairment at 30 June 2020. The market value prices of some investments were below their carrying value. As a result, the recoverable amount has been measured at fair value less cost to sell. Impairment losses of \$2,991,912 (2019: \$718,723) have been recognised.

12. INVESTMENT IN JOINT VENTURE

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Investment in joint venture accounted for using the equity method | - | - |

(a) Movements in the carrying amount of the investment in joint venture

| | 2020 \$ | 2019 \$ |
|---|------------|-------------|
| Balance at beginning of period | - | 2,882,726 |
| Cash investments | - | 487,136 |
| Invoices paid by the Company on behalf of the joint venture | (57,489) | 1,019,757 |
| Share of losses of joint venture recognised during the year | - | (1,006,302) |
| (Impairment)/reversal of investment in joint venture (a) | 57,489 | (3,383,317) |
| | - | - |

(a) Impairment

On 14 August 2019, the Company announced that it had been unable to source project funding for the development of the Kipushi Project in the DRC and as such had withdrawn from the Kipushi Project and from being a 50% partner in the incorporated joint venture company Soludo-Lambert SAS. As a result the carrying value of the investment in joint venture was nil at 30 June 2020 with impairment losses of \$57,489 (2019: \$3,383,317) being recognised.

13. EXPLORATION AND EVALUATION EXPENDITURE

| | 2020 \$ | 2019 \$ |
|--|------------|-------------|
| Exploration and evaluation phases | - | - |
| <i>Movements:</i> | | |
| Carrying value at beginning of the year | - | 1,107,642 |
| Exploration and evaluation expenditure capitalised during the year | 334,648 | 532,657 |
| Provision/(reversal) for expenses (a) | - | (4,154,206) |
| Exploration expenditure (recognised)/de-recognised during the year | (334,648) | 2,647,350 |
| Foreign currency exchange gain/(loss) | - | (133,443) |
| Total exploration and evaluation phases | - | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

The value of the exploration expenditure is dependent upon:

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

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

14. TRADE AND OTHER PAYABLES

| | 2020 | 2019 |
|------------------------------|-----------|-----------|
| | \$ | \$ |
| Current | | |
| <i>Unsecured</i> | | |
| Trade payables | 1,600,028 | 1,788,559 |
| Other creditors and accruals | 905,175 | 307,487 |
| Withholding tax (i) | 1,207 | 2,530,776 |
| | 2,506,410 | 4,626,822 |

Risk Exposure

The Group's exposure to risk is discussed in note 30.

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.
- (i) During the year the Company has reassessed the provision for withholding tax and as a result has determined that the historical withholding tax amount dating back to 2009 be reversed. This resulted in a gain of \$2,527,175 being recognised through profit or loss (refer Note 3(b)).

15. PROVISIONS

| | 2020 | 2019 |
|------------------------------------|--------|---------|
| | \$ | \$ |
| Current provisions | | |
| Employee entitlements | (909) | 318 |
| Provision for dilapidation charges | - | 53,924 |
| Other | 82,046 | 152,015 |
| | 81,137 | 206,257 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. CONVERTIBLE NOTE AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2020 \$ | 2019 \$ |
|-------------|----------------|----------------|
| Current | 206,773 | 459,737 |
| Non-current | 69,643 | - |
| | 276,416 | 459,737 |

| | 2020 \$ | 2019 \$ |
|--|-------------|------------|
| Balance at beginning of period | 459,737 | - |
| Funds borrowed under convertible loan agreement | 1,200,000 | 750,000 |
| Finance charges | 192,359 | 70,709 |
| Amount repaid through cash | (90,212) | (282,658) |
| Amounts repaid through issue of shares (refer note 19) | (1,043,468) | (78,314) |
| Amounts transferred to trade and other payables | (442,000) | - |
| Balance at end of period | 276,416 | 459,737 |

(a) Magna

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

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

During the year, Magna exercised its option to redeem 43,119 notes resulting in the cash payment of US\$60k (AUD \$90,212). In addition, Magna elected to convert 182,086 notes borrowed under the convertible loan agreement into 51,586,909 fully paid ordinary shares of the Company.

At reporting date, the fair value of the convertible notes (following conversion of 182,086 notes during the year) was \$206,772 with the difference of \$132,716 recorded in the statement of comprehensive income.

As at 30 June 2020, Magna had 108,612 convertible notes remaining at a fair value of \$206,772.

(b) Winance

On 31 July 2019, the Company announced that it had entered into a Convertible Note Agreement with Winance Investments LLC (**Winance**) through the issue of 1,200 convertible notes. As at 31 December 2019, the Company has drawn down A\$1,200,000 (**Tranche A**) from the A\$15 million facility and a further A\$13.8 million is available in tranches upon the successful conversion of the Winance notes from the previous drawdown subject to a cooling off period. Winance will receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares.

The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four months after the issue date. The conversion price for each convertible note is the lower of a 10% discount from the lowest VWAP over twelve (12) days prior to the conversion date, provided that the conversion price shall not in any case be lower than \$0.005 (floor price).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

During the year, Winance exercised its option to convert 1,190 notes borrowed under the convertible loan agreement into 238,000,000 fully paid ordinary shares of the Company.

At 30 June 2020, the pro-rated difference between the fair value of the convertible notes of \$1,259,643 and the proceeds received of A\$1,200,000, being \$59,643 was recorded as a finance cost in the statement of comprehensive income.

As at 30 June 2020, Winance had 10 convertible notes remaining at a fair value of \$69,644.

17. LOAN PAYABLE AT AMORTISED COST

| | 2020 \$ | 2019 \$ |
|-------------|------------|------------|
| Current | 2,200,000 | 733,001 |
| Non-Current | - | 689,734 |

(a) Movements in the carrying amount of loan payable

| | 2020 \$ | 2019 \$ |
|--------------------------------|-------------|------------|
| Balance at beginning of period | 1,422,736 | - |
| Proceeds from borrowings (i) | 2,200,000 | 1,395,184 |
| Repayment of borrowings (ii) | (1,422,736) | - |
| Foreign exchange | - | 27,552 |
| | 2,200,000 | 1,422,735 |

(i) On 24 January 2020 the Company entered into a \$2.2m loan facility with Winance (**Winance Loan**). The Winance Loan is for a term of 6 months and accrues interest of 20% during that period and is secured against by 30m shares held by the Company in European Lithium Limited (ASX: EUR). The Company has paid introducer and facilitation fees of 9% of the loan amount totalling \$198,000. On 30 June 2020, the Company advised that the parties agreed to vary the terms of the Winance Loan with the final maturity date being extended from 23 July 2020 to 30 November 2020. In addition, the parties agreed set repayment dates for the principal amount of A\$2.2m and interest payments and well as conversion mechanisms for the repayments (refer ASX Announcement 30 June 2020 for full details). The Company has accrued pro-rata extension and broker fees of \$131,277 at 30 June 2020 for the revised arrangement.

(ii) On 19 November 2019, the Company entered into a loan of USD\$500,000 from First Investments Holding Ltd (**First Investments**) secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement. On 12 March 2019, the Company entered into a second loan of USD\$500,000 with First investments secured by the Company's shareholding in European Lithium Ltd to three times the value of the loan, interest rate of 5% per annum and to be repaid 18 months from the date of advancement. On 11 May 2020, the Company issued 160,678,538 shares at an issue price of \$0.01 to First Investments as settlement of borrowings with First Investments of US\$1,000,000 plus accrued interest. The fair value of these shares on issue date was \$0.006 per share which resulted in a gain on extinguishment of debt of \$642,417 being recognised in the profit or loss. The issue of these shares was approved by shareholders at its 2019 annual general meeting held on 11 February 2020 (resolution 9).

18. TAX LIABILITY

| | 2020 \$ | 2019 \$ |
|-------------|------------------|------------------|
| Current | 1,773,171 | 1,041,679 |
| Non-current | 1,300,861 | 2,861,893 |
| | 3,074,032 | 3,903,572 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| | 2020 \$ | 2019 \$ |
|--------------------------------|------------|-------------|
| Balance at beginning of period | 3,903,572 | 5,203,442 |
| Repayments of income tax | (829,540) | (1,299,870) |
| Balance at end of period | 3,074,032 | 3,903,572 |

The Company has been the subject of an audit by the Australian Taxation Office (ATO) regarding various taxation matters, covering the 2011 - 2015 income years. The key issue in dispute is the tax treatment of the disposal of certain assets.

On 31 July 2018, the Company reached an out of court settlement with the ATO. Under the terms of the settlement, the Company has, on a without admission of liability basis, agreed to make final settlement payments to the ATO totalling \$5,203,442 following the issue of amended assessments for each of the respective income tax years in dispute. Included in the settlement is a shortfall interest component of \$790,000. The settlement is payable over 5 years until March 2023. Under the terms of the settlement, the Company retains all carry forward losses.

The Company's wholly owned subsidiary, Dempsey Resources Pty Ltd (**Dempsey**), has agreed to provide the ATO with security over its shareholdings in Fe Limited and Cauldron Energy Ltd as collateral.

The agreed settlement figure of \$5,203,442 represents full and final settlement and removes the potential for any further payments to the ATO under the amended assessments.

During the year, the Company made payments to the ATO of \$829,541 in cash of \$780,516 and through the offset of GST refunds of \$49,024.

19. ISSUED CAPITAL

| | 2020 \$ | 2019 \$ |
|--|-------------|-------------|
| 1,736,981,667 fully paid ordinary shares (2019: 1,019,927,757) | 206,133,405 | 203,295,135 |

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Movement in ordinary shares on issue

| | Ordinary fully paid shares | |
|---|----------------------------|--------------------|
| | Number | \$ |
| 2020 | | |
| Shares on issue at 1 July 2019 | 1,019,927,757 | 203,295,135 |
| Placements (i) | 20,000,000 | 100,000 |
| Magna conversions (note 16) | 51,586,909 | 295,468 |
| Winance conversions (note 16) | 238,000,000 | 748,000 |
| Shares issued in settlement of liabilities (ii) | 407,467,001 | 1,700,802 |
| Costs associated with capital issues | - | (6,000) |
| Shares on issue at 30 June 2020 | 1,736,981,667 | 206,133,405 |
| 2019 | | |
| Shares on issue at 1 July 2018 | 937,710,216 | 200,730,051 |
| Placements (iii) | 47,824,698 | 1,434,741 |
| Exercise of options | 23,500,000 | 1,175,000 |
| Shares issued in settlement of liabilities (iv) | 10,892,843 | 189,314 |
| Costs associated with capital issues | - | (233,971) |
| Shares on issue at 30 June 2019 | 1,019,927,757 | 203,295,135 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- (i) The following shares were issued via share placements during the year ended 30 June 2020:
- On 19 February 2020 the Company issued 20,000,000 shares to raise funds of \$100,000.
- (ii) The following shares were issued in settlement of liabilities during the year ended 30 June 2020:
- On 19 February 2020 the Company issued 60,788,463 shares to settle liabilities of \$607,885 at a deemed issue price of \$0.01 per share as approved by shareholders at the Company's AGM held on 11 February 2020 (resolutions 10-14). The fair value of these shares on issue date was \$0.006 per share which resulted in a gain in the extinguishment of liabilities of \$237,854.
 - On 11 May 2020 the Company issued 160,678,538 shares to settle a liability of \$1,606,785 at a deemed issue price of \$0.01 per share as approved by shareholders at the Company's AGM held on 11 February 2020 (resolution 9). Refer to note 17 for further details. The fair value of these shares on issue date was \$0.006 per share which resulted in a gain in the extinguishment of liabilities of \$642,714.
 - On 5 June 2020 the Company issued 186,000,000 shares to Winance at a deemed issue price of \$0.0015 per shares to settle liabilities of \$279,000. The fair value of these shares on issue date was \$0.002 per share which resulted in a loss in the extinguishment of liabilities of \$93,000.
- (iii) The following shares were issued via share placements during the year ended 30 June 2019:
- On 3 July 2018 the Company issued 1,000,000 shares to raise funds of \$30,000;
 - On 13 July 2018 the Company issued 10,000,000 shares to raise funds of \$300,000;
 - On 23 July 2018 the Company issued 36,824,698 shares to raise funds of \$1,104,741
- (iv) The following shares were issued in settlement of liabilities during the year ended 30 June 2019:
- On 13 July 2018 the Company issued 600,000 shares to settle a liability of \$18,000 at a deemed issue price of \$0.03 per share, due to certain trade creditors.
 - On 23 July 2018 the Company issued 2,100,000 shares to settle a liability of \$63,000 at a deemed issue price of \$0.03 per shares, due to certain trade creditors
 - On 21 December 2018 the Company issued 1,666,667 shares to settle a liability of \$30,000 at a deemed issue price of \$0.018 to Magna as Tranche A commitment shares
 - On 13 May 2019 the Company issued 6,526,176 shares to settle a liability of \$78,314 at a deemed issue price of \$0.012 per share to Magna as partial conversion of debt

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.

| | 2020 | 2019 |
|---------------------------------|-------------|-------------|
| | \$ | \$ |
| Total Trade and other payables | 2,506,410 | 4,626,822 |
| Convertible note | 276,416 | 459,737 |
| Loan payable | 2,200,000 | 1,422,735 |
| less: Cash and cash equivalents | (238,222) | (210,106) |
| Net (cash)/debt | 4,744,604 | 6,299,188 |
| Total equity/(deficiency) | (1,574,425) | (2,967,553) |
| Total capital | 3,170,179 | 3,331,635 |
| Gearing ratio | 150% | 189% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. RESERVES

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Foreign currency translation reserve | 22,219,148 | 22,208,957 |
| Share based payments reserve | 2,757,033 | 2,677,884 |
| Equity reserve | (1,090,501) | (1,090,501) |
| | <u>23,885,680</u> | <u>23,796,340</u> |
| Foreign currency translation reserve | | |
| Balance at beginning of financial year | 22,208,957 | 22,302,495 |
| Share of movement of associate's foreign currency translation reserve | 21,542 | 58,041 |
| Foreign currency exchange differences arising on translation of foreign operation | (11,351) | (151,579) |
| Balance at end of financial year | <u>22,219,148</u> | <u>22,208,957</u> |
| Share based payments reserve | | |
| Balance at beginning of financial year | 2,677,884 | 2,392,942 |
| Share of movement of associate's share based payments reserve | 73,971 | 128,966 |
| Share based payments | 5,178 | 155,976 |
| Balance at end of financial year | <u>2,757,033</u> | <u>2,677,884</u> |
| Equity reserve | | |
| Balance at beginning of financial year | (1,090,501) | (1,090,501) |
| Increase in non-controlling interest | - | - |
| Balance at end of financial year | <u>(1,090,501)</u> | <u>(1,090,501)</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.

21. ACCUMULATED LOSSES

| | 2020 \$ | 2019 \$ |
|--|----------------------|----------------------|
| Balance at beginning of financial year | (230,059,028) | (223,599,865) |
| Loss for the year | (1,534,482) | (6,459,163) |
| Balance at end of financial year | <u>(231,593,510)</u> | <u>(230,059,028)</u> |

22. LOSS PER SHARE

| | 2020 Cents per Share | 2019 Cents per Share |
|--------------------------------------|-------------------------|-------------------------|
| Basic and diluted loss per share (a) | (0.13) | (0.64) |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Basic and Diluted Loss per Share

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

| | 2020 \$ | 2019 \$ |
|---|----------------|----------------|
| Loss for the year | (1,534,482) | (6,459,163) |
| | 2020 Number | 2019 Number |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1,192,520,706 | 1,009,371,186 |

There are 41,200,000 share options (30 June 2019: 48,254,090) 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 2020 and prior to the date of release of these financial statements, nil (30 June 2019: nil) share options have been forfeited and 10,000,000 (30 June 2019: nil) share options have been exercised.

23. 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 current year

On 19 February 2020 20,000,000 unlisted options with an exercise price of \$0.006, expiring on 30 June 2023 were issued to investors pursuant to the placement which completed on the same day.

(b) Options granted during the prior year

No options issued during the year ended 30 June 2019 did not constitute a share-based payment.

(c) Options on issue at 30 June 2020

The outstanding balance of options at 30 June 2020 (other than those granted as share based payments) is as follows:

| Grant Date | Class of Shares | Exercise Price | Number of Options | Expiry Date | Listed/Unlisted |
|------------------|-----------------|----------------|----------------------|--------------|-----------------|
| 19 February 2020 | Ordinary | \$0.006 | 20,000,000 | 30 June 2023 | Unlisted |
| | | | 20,000,000 | | |

24. COMMITMENTS

| | 2020 \$ | 2019 \$ |
|--|------------|------------|
| Operating lease commitments | | |
| Minimum lease payments not provided for in the financial report and payable: | | |
| not later than one year | - | 406,331 |
| later than one year but not later than five years | - | - |
| later than five years | - | - |
| Aggregate expenditure contracted for at balance date but not provided for | - | 406,331 |

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 \$304,826 in rental income. In addition,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

25. 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 announced 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 subject to the formality of the new owners signing off on the transaction. As at 30 June 2018, the Company had received A\$500,000 in cash with the remaining A\$500,000 to be received as deferred consideration.

Contingent issue of shares on Magna Facility

On 17 December 2018, the Company entered into a Convertible Note Agreement with MEF I, L.P. (**Magna**) through the issue of 548,310 convertible notes. As at 31 December 2018, the Company has drawn down A\$750,000 (**Tranche A**) from the A\$7.5 million facility and a further A\$6.75 million is available in 4 tranches upon the Company meeting key milestones relating to the development of the Kipushi Cobalt-Copper tailings project in the DRC. The Company is under no obligation to drawdown subsequent tranches of the facility however a termination fee of 2% of the undrawn investment amount is payable (in shares, at the Company's election) if amounts are not drawn down when available. Under the facility, Magna will also receive a commitment fee of 4% of the investment amount at the funding of each tranche payable in shares. Refer to Note 16 for further details on the Magna facility.

Contingent issue of shares on Winance Facility

On 31 July 2019, the Company announced that it had executed a finance facility with Winance Investment LLC (**Winance** or **Investor**). The facility was for up to A\$15m by way of the issue of convertible securities in the Company. As at 31 December 2019, the Company has drawn down \$1.2 million from the \$15m facility and Further drawdowns of \$500,000 each are available upon full conversion of the notes from the previous drawdown, subject to a cooling off period. The Company is under no obligation to drawdown subsequent tranches of the facility. Under the facility, Winance will also receive a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares. Refer to Note 16(b) for further details on the Winance facility.

Contingent license fees for Sierra Leone projects

As disclosed in note 13, the company is of the view that there is no present obligation with respect to accrued exploration license fees since 2015 for its Sierra Leone projects due to the Company declaring force majeure and therefore the liability has been reversed in the financial statements. The company is pursuing legal proceedings and whilst it is confident it will be successful in its claim, any possible obligation remaining will be confirmed following the outcome of this legal proceeding.

26. SUBSIDIARIES

| Name of Entity | Country of Incorporation | Ownership Interest | |
|--------------------------------------|--------------------------|--------------------|------|
| | | 2020 | 2019 |
| | | % | % |
| Parent entity | | | |
| Cape Lambert Resources Limited | Australia | - | - |
| Subsidiaries | | | |
| African Minerals Exploration Pty Ltd | Australia | 100% | 100% |
| Cape Lambert Minsec Pty Ltd | Australia | 100% | 100% |
| Danae Resources Pty Ltd | Australia | 100% | 100% |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

| Name of Entity | Country of Incorporation | Ownership Interest | |
|---|--------------------------|--------------------|-----------|
| | | 2020 % | 2019 % |
| Dempsey Resources Bermuda Limited ² | Bermuda | 100% | 100% |
| Dempsey Resources Pty Ltd | Australia | 100% | 100% |
| Marampa Iron Ore (Bermuda) Limited | Bermuda | 100% | 100% |
| Marampa Iron Ore (SL) Limited | Sierra Leone | 100% | 100% |
| Metals Exploration (Australia) Pty Ltd | Australia | 100% | 100% |
| Metal Exploration (SL) Limited | Sierra Leone | 100% | 100% |
| Mineral Resources (Bermuda) Limited ² | Bermuda | 100% | 100% |
| Mineral Securities Investments (Australia) Pty Ltd | Australia | 100% | 100% |
| Mineral Securities Operations Pty Ltd | Australia | 100% | 100% |
| Mineral Securities (UK) Ltd ² | UK | 100% | 100% |
| Mining International Pty Ltd | Australia | 100% | 100% |
| Multiplex Resources (Kazakhstan) Limited ² | United Kingdom | 100% | 100% |
| Pinnacle Group Assets (SL) Limited | Sierra Leone | 100% | 100% |
| Soludo-Lambert Mining SAS (note 12) | DRC | - | 50% |

² In the process of being liquidated.

27. SEGMENT INFORMATION

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

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

Information by geographical region

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

| | 2020 \$ | 2019 \$ |
|-------------|------------------|------------------|
| Australia | 5,061,755 | 6,053,566 |
| West Africa | 73,108 | 71,898 |
| | <u>5,134,864</u> | <u>6,125,464</u> |

Revenue by geographical region

| | 2020 \$ | 2019 \$ |
|-------------|----------------|----------------|
| Australia | 324,910 | 278,746 |
| West Africa | - | - |
| | <u>324,910</u> | <u>278,746</u> |

28. RELATED PARTY DISCLOSURES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 1,148m² 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. The Company did not extend the lease when it expired on 31 March 2020.

Sub-lease agreements for office space

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

- Fe Limited (lease term expired 31 March 2020)
- European Lithium Limited (lease term expired 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.

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

| | | Sales to related parties | Purchases from related parties | Consulting fees paid | Amounts owed by related parties | Amounts owed to related parties |
|--|------|--------------------------------|--------------------------------------|-------------------------|--|--|
| <i>Related entities with common directors:</i> | | | | | | |
| Cauldron Energy Limited | 2020 | - | - | - | - | - |
| Cauldron Energy Limited | 2019 | 67,463 | - | - | 38,455 | - |
| Karratha Metals Group Ltd | 2020 | - | - | - | - | - |
| Karratha Metals Group Ltd | 2019 | 5,567 | - | - | - | - |
| <i>Associate entities:</i> | | | | | | |
| European Lithium Limited | 2020 | 27,814 | 22,451 | - | - | - |
| European Lithium Limited | 2019 | 66,085 | 33,366 | - | - | 21,015 |
| Fe Limited | 2020 | - | 19,610 | - | - | - |
| Fe Limited | 2019 | 139,439 | - | - | 49,130 | - |
| <i>Director related entities:</i> | | | | | | |
| DGWA GmbH | 2020 | - | 19,610 | - | - | - |
| DGWA GmbH | 2019 | - | 114,647 | - | - | 38,356 |
| Fashion Council WA | 2020 | - | - | - | - | - |
| Fashion Council WA | 2019 | - | 2,955 | - | - | - |
| Okewood Pty Ltd | 2020 | - | 426,015 | - | - | 200,944 |
| Okewood Pty Ltd | 2019 | - | 568,020 | - | - | - |

Tony Sage resigned as a Director of Cauldron Energy Limited (**Cauldron**) on 22 November 2018, the above transactions reflect transactions with Cauldron up until the date of resignation.

Perth Fashion Festival Pty Ltd and Okewood Pty Ltd are entities controlled by Tony Sage.

DGWA GmbH is an entity controlled by Stefan Müller. Stefan Muller retired as a Director of the Company on 11 February 2020, the above transactions reflect transaction with DGWA up until the date of resignation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Key management personnel

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

| | 2020 | 2019 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| Short-term employee benefits | 593,147 | 784,000 |
| Post-employment benefits | - | - |
| Share based payments | - | 3,005 |
| Long term employee benefits | - | - |
| | <u>593,147</u> | <u>787,005</u> |

Detailed remuneration disclosures are provided in the remuneration report.

29. 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 Statement of financial position as follows:

| | 2020 | 2019 |
|--|----------------|----------------|
| | \$ | \$ |
| <i>Cash and cash equivalents</i> | | |
| Cash in banks and on hand | 238,222 | 210,106 |
| Deposits at call | - | - |
| Cash and cash equivalents per consolidated statement of cash flows | <u>238,222</u> | <u>210,106</u> |
| Cash and cash equivalents per consolidated statement of financial position | <u>238,222</u> | <u>210,106</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Loss from ordinary activities after tax | (1,534,482) | (6,459,163) |
| <i>Adjusted for non-cash items:</i> | | |
| Loss/(gain) on fair value of financial assets through profit & loss | 112,376 | 721,956 |
| Depreciation and amortisation of non-current assets | 16,242 | 29,430 |
| Share of losses of associates | (1,430,813) | 919,462 |
| Share of losses of joint venture | - | 1,006,302 |
| Gain on dilution of interest in associate | (483,806) | (565,270) |
| Finance expense | 513,950 | 100,709 |
| Impairment of investment in associate | 2,991,912 | 718,723 |
| Reversal withholding tax provision | (2,527,175) | - |
| Convertible note fee | 724,004 | 37,350 |
| Gain on extinguishment of liabilities | (787,568) | - |
| Interest on loan (investing activity) | 435,886 | - |
| Share based payments | 5,178 | 3,005 |
| Exploration expenditure de-recognised during the year | 334,648 | (2,647,350) |
| Exploration expenditure reclassified to operating activity | 307,324 | - |
| Provision for impairment of investments | - | 52,565 |
| Provision for impairment of joint venture | (57,489) | 3,383,317 |
| Unrealised foreign currency exchange gains | 69,734 | (1,861) |
| (Reversal of impairment)/Impairment of receivable | (3,190) | 42,942 |
| <i>Changes in net assets and liabilities</i> | | |
| (Increase)/decrease in trade and other receivables | (65,504) | 84,847 |
| (Increase)/decrease in provisions | (125,119) | - |
| (Increase)/decrease in tax provisions | (829,540) | (1,299,870) |
| Increase / (decrease) in trade and other payables | 275,643 | (905,563) |
| Net cash used in operating activities | (2,057,790) | (4,778,469) |

Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

Shares issued as settlement of liabilities in accordance with IFRIC 9 (refer Note 19)

Shares issued on conversion of convertible notes (refer Note 16)

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for the year.

| | Loan Payables at Amortised Cost \$ | Convertible Notes at Fair Value Through Profit or Loss \$ |
|-------------------------------|---|---|
| Net debt as at 1 July 2019 | 1,422,735 | 459,737 |
| <u>Cash flows (i)</u> | 1,976,565 | 621,218 |
| Other changes (ii) | (1,199,300) | 124,929 |
| Shares issued upon conversion | - | (929,468) |
| Net Debt | 2,200,000 | 276,468 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. 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 at 30 June 2020:

| | At amortised cost | Fair value | |
|------------------------------|-------------------|-------------------------|------------------------------------|
| | | Through profit and loss | Through other comprehensive income |
| | \$ | \$ | \$ |
| Financial assets | | | |
| Trade and other receivables | 293,305 | - | - |
| Total current | 293,305 | - | - |
| Other financial assets | - | 884,679 | - |
| Total non-current | - | 884,679 | - |
| Total assets | 293,305 | 884,679 | - |
| Financial liabilities | | | |
| Trade and other payables | 2,506,410 | - | - |
| Convertible note | - | 206,773 | - |
| Short term loan payable | 2,200,000 | - | - |
| Total current | 4,706,410 | 206,773 | - |
| Convertible note | - | 69,643 | - |
| Total non-current | - | 69,643 | - |
| Total liabilities | 4,706,410 | 276,416 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group holds the following financial instruments at 30 June 2019:

| | At amortised cost | Fair value | |
|------------------------------|-------------------|-------------------------|------------------------------------|
| | | Through profit and loss | Through other comprehensive income |
| | \$ | \$ | \$ |
| Financial assets | | | |
| Trade and other receivables | 224,612 | - | - |
| Total current | 224,612 | - | - |
| Other financial assets | - | 997,055 | - |
| Total non-current | - | 997,055 | - |
| Total assets | 224,612 | 997,055 | - |
| Financial liabilities | | | |
| Trade and other payables | 4,626,822 | - | - |
| Convertible note | - | 459,737 | - |
| Total current | 4,626,822 | 459,737 | - |
| Long term loan payable | 1,422,735 | - | - |
| Total non-current | 1,422,735 | - | - |
| Total liabilities | 6,049,557 | 459,737 | - |

(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 did not have any material balances of cash held in a foreign currency and therefore a movement of 10% in the foreign currency exchange rates as at 30 June 2020 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

| | 2020 \$ | 2019 \$ |
|--------------------------------|----------------|----------------|
| Financial assets: | | |
| Cash and cash equivalents | 238,222 | 210,106 |
| Restricted cash | 12,500 | 94,333 |
| | <u>250,722</u> | <u>304,439</u> |
| Weighted average interest rate | 0.05% | 0.70% |

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) and are recognised as financial assets carried at fair value through profit or loss.

(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 notes 16 and 17. Credit risk arises from trade receivables. 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 credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings.

The Company holds 90% (2019: 88%) of its cash and cash equivalents with banks with a Moody's credit rating on Aa3.

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| Financial assets: | | |
| Cash and cash equivalents and restricted cash | 250,722 | 304,439 |
| Loans and receivables | 293,305 | 224,612 |
| Other financial assets | 884,679 | 997,055 |
| | <u>1,428,706</u> | <u>1,526,106</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 has financing arrangements in place as disclosed under notes 16 and 17.

(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).

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2020:

| | Carrying amount \$ | Fair value \$ |
|------------------------------|-----------------------|------------------|
| Financial assets | | |
| Trade and other receivables | 293,305 | 293,305 |
| Total current | 293,305 | 293,305 |
| Other financial assets | 884,679 | 884,679 |
| Total non-current | 884,679 | 884,679 |
| Total assets | 1,177,984 | 1,177,984 |
| Financial liabilities | | |
| Trade and other payables | 2,506,410 | 2,506,410 |
| Convertible note | 206,773 | 206,773 |
| Short term loan payable | 2,200,000 | 2,200,000 |
| Total current | 4,913,183 | 4,913,183 |
| Convertible note | 69,643 | 69,643 |
| Total non-current | 69,643 | 69,643 |
| Total liabilities | 4,982,826 | 4,982,826 |

Valuation techniques to derive level 3 fair values**Convertible notes at fair value through profit or loss**

The fair value of the convertible notes is determined based on probability being applied to the each of the fair value of the conversion option (i.e. Number of Convertible Notes x Share Price) and the fair value of the redemption option (being amount payable on redemption). The adjusting event represents a ratchet feature and has nil value until one of the adjusting event takes place. The ratchet feature adjusts the conversion ratio of the convertible notes to ordinary shares of the company. The observable input in the valuation of the convertible notes is the share price and the unobservable inputs are the probability rate, the redeeming, the adjusting events and credit risk of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Valuation techniques to derive level 1 fair values**Investments**

The fair value of listed investments is based on quoted market prices at the end of the reporting period.

Set out below is a comparison of the carrying amount and fair values of financial instruments as at 30 June 2019:

| | Carrying amount \$ | Fair value \$ |
|------------------------------|-----------------------|------------------|
| Financial assets | | |
| Trade and other receivables | 224,612 | 224,612 |
| Total current | 224,612 | 224,612 |
| Other financial assets | 997,055 | 997,055 |
| Total non-current | 997,055 | 997,055 |
| Total assets | 1,221,667 | 1,221,667 |
| Financial liabilities | | |
| Trade and other payables | 4,626,822 | 4,626,822 |
| Convertible note | 459,737 | 459,737 |
| Total current | 5,086,559 | 5,086,559 |
| Long term loan payable | 1,422,735 | 1,422,735 |
| Total non-current | 1,422,735 | 1,422,735 |
| Total liabilities | 6,509,294 | 6,509,294 |

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

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

| | 2020 \$ | 2019 \$ |
|--|---------------|---------------|
| Statement of financial position | | |
| Current assets | 431,267 | 174,358 |
| Total assets | 1,621,582 | 1,460,523 |
| Current liabilities | (15,796,259) | (11,731,097) |
| Total liabilities | (19,194,121) | (14,357,096) |
| Shareholders' equity | | |
| Issued capital | 206,133,403 | 203,295,135 |
| Reserves | 1,687,465 | 1,682,287 |
| Retained earnings | (225,393,407) | (217,873,993) |
| Total equity /(deficit) | (17,572,539) | (12,896,571) |
| Net profit / (loss) for the year | (7,519,414) | 28,697,585 |
| Total comprehensive income / (loss) | (7,519,414) | 28,697,585 |

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 (2019: 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 reporting 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 \$49,257 (2019: \$105,572) as of the reporting date. The Company has received a payment from the controlled entities of nil (2019: nil) as of the reporting 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.

32. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 August 2020, the Company announced the appointment of Mr Terry Donnelly as Non-Executive Chairman and the resignation of Mr Mark Hancock as Non-Executive Director effective 4 August 2020. In addition, the Company announced that Mr Tony Sage would transition from Executive Chairman to Executive Director of the Company. On the same day, the Company announced its intention to undertake a placement at an issue price of \$0.0017 to raise proceeds of up to AUD\$1m. On 3 September 2020, the Company released the notice of meeting for the shareholder meeting to be held on 6 October 2020. The notice confirmed the intention of the Company to increase the placement from AUD\$1m to up to AUD\$2m.

On 25 August 2020, the Company issued 69,722,223 fully paid ordinary shares at an issue price of \$0.0018 per shares to raise funds of \$125,500

On 3 September 2020, the Company announced that it would be holding an extraordinary general meeting of shareholders on 6 October 2020. The notice of meeting includes resolutions to vary the floor price of the remaining Winance notes from \$0.005 per share to \$0.002 per share (resolution 1), approval for the issue of shares to Winance in satisfaction of accrued interest of \$219,778 (resolution 3), approval for the conversion of amount owing to Directors of the Company of \$343,300 into shares (resolutions 4-6), approval for the issue of shares to the Company's new Chairman (resolution 7), approval to issue shares pursuant to a placement at an issue price of \$0.0017 per share to raise funds of \$2m (resolution 8), approval to issue shares at an issue price of \$0.0015 per share to convert amounts owing to a creditor of the Company of \$188,447 into shares (resolution 9) and approval to change the name of the Company to Cyclone Metals Limited (resolution 12).

On 11 September 2020, the Company announced that it has lodged applications for two tenements in the Carnarvon basins of Western Australia.

On 17 September 2020 the Company issued 10,000,000 fully paid ordinary shares upon the exercise of options with an exercise price of \$0.006 expiring 30 June 2023. On the same day, the Company announced that the Company has agreed with Winance that the principle amount of \$2.2m plus accrued interest and outstanding fees will be converted into

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

equity (subject to receipt of shareholder approval) based on a share price of AUD \$0.004 on 30 November 2020. All other terms and conditions of the Winance Loan remain unchanged.

The impact of Coronavirus (COVID-19) pandemic is ongoing and while it has not had a material impact on the business up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There have been no other events subsequent to 30 June 2020 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

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 2020 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 2020 and of its performance, for the period ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the Corporations Regulations 2001, professional reporting requirements and other mandatory requirements; 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. This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2020.

Signed in accordance with a resolution of the Directors:



Tony Sage
Executive Director

Perth, 30 September 2020

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 (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2(b) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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 period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Investments accounted for under the equity method

| Key audit matter | How the matter was addressed in our audit |
|--|---|
| <p>The Group's investments in associates are accounted for using the equity method as disclosed in Note 11 to the financial report.</p> <p>The classification of the asset as an investment in associates and measurement thereof is a key audit matter due to the significance of the asset to the Group, and the judgement exercised by management in assessing the classification of the investment and determining whether there are any indicators to suggest that the investment in associates may be impaired.</p> <p>Refer to Note 2(ab) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these investments.</p> | <p>Our procedures included, but were not limited to the following;</p> <ul style="list-style-type: none">• Evaluating management's determination of whether the Group maintained significant influence over the investments;• Considering management's assessment of indicators that the investment in associates may be impaired;• Agreeing the Group's share of associate losses, changes as a result of share issues, dilution and reserve movements to the audited financial reports of the associates;• Reviewing the financial information of the associates including assessing if the accounting policies of the associate were consistent with the Group, and;• Reviewing the adequacy of the disclosures in Note 2(ab) and Note 11 of the financial report. |

Valuation and classification of convertible notes

| Key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>During the year, Cape Lambert Resources Limited issued new convertible notes to fund the Group's operations, and pre-existing convertible notes were converted or redeemed. The classification of the convertible notes at fair value through the profit or loss and the subsequent fair value applied to the convertible notes is considered to be a key audit matter due to the following:</p> <ul style="list-style-type: none"> Judgements required by management in the determination of the suitable accounting treatment; Judgements required by management in the selection of a suitable valuation methodology; The inputs used and the valuation method applied; and The complexity of the accounting policy adopted by management. <p>Refer to Note 2(p) and Note 2(ab) of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p> | <p>Our work included but was not limited to the following procedures:</p> <ul style="list-style-type: none"> Reviewing the relevant convertible note agreements; Enquiring with management to understand the convertible note transactions; Assessing whether management's assessment of the classification of the instrument was in accordance with the accounting standards; Reviewing management's calculation carried out in respect of the valuation of the convertible notes Assessing movements in the convertible notes relating to fair value adjustments upon conversion to equity, accrued interest calculations and cash redemptions; and Assessing the appropriateness of the disclosures included in Note 2 and Note 16 to the financial statements. |

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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 ability of the group 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 Group or to cease operations, or has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Cape Lambert Resources Limited, for the year ended 30 June 2020 complies with section 300A of the Corporations Act 2001.



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.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to be 'P. Murdoch', is written over a horizontal line. Above the signature, the letters 'BDO' are handwritten in a small, light font.

Phillip Murdoch

Director

Perth, 30 September 2020

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.

This information is current as at 25 September 2020.

(a) Distribution of equity securities

The distribution of members and their holdings of equity securities in the Company as at 25 September 2020 are as follows:

| Category (size of holding) | Total Holders | Number of Units | % |
|----------------------------|---------------|----------------------|---------------|
| 1- 1,000 | 202 | 82,550 | 0.00 |
| 1,001- 5,000 | 925 | 2,855,611 | 0.16 |
| 5,001- 10,000 | 696 | 5,869,094 | 0.32 |
| 10,001- 100,000 | 1,459 | 57,075,616 | 3.14 |
| 100,001 – 999,999,999 | 818 | 1,750,821,019 | 96.37 |
| Total | 4,100 | 1,816,703,890 | 100.00 |

Equity Securities

As at 25 September 2020, there were 4,100 shareholders, holding 1,816,703,890 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 3,008.

(b) Twenty Largest Shareholders

The names of the twenty largest fully paid ordinary shareholders as at 25 September 2020 are as follows:

| | Name | Number of Fully Paid Ordinary Shares Held | % held of Issued Capital |
|----|--|---|--------------------------|
| 1 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 349,215,218 | 19.22 |
| 2 | FIRST INVESTMENTS HOLDING LIMITED | 160,678,538 | 8.84 |
| 3 | GULF ENERGY INTERNATIONAL LIMITED | 117,500,000 | 6.47 |
| 4 | OKEWOOD PTY LTD | 116,016,676 | 6.39 |
| 5 | CITICORP NOMINEES PTY LIMITED | 66,663,515 | 3.67 |
| 6 | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 56,019,421 | 3.08 |
| 7 | RIMOYNE PTY LTD | 48,232,010 | 2.65 |
| 8 | SUBURBAN HOLDINGS PTY LTD <THE SUBURBAN SUPER FUND A/C> | 41,666,667 | 2.29 |
| 9 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 31,676,289 | 1.74 |
| 10 | MR BENEDICT MCPHERSON | 25,000,000 | 1.38 |
| 11 | MR JOHN THEODORE COUFOS | 20,666,667 | 1.14 |
| 12 | ADKSK SUPERFUND PTY LTD <ADKSK SUPERFUND A/C> | 19,568,034 | 1.08 |
| 13 | WHITEY TIGER PTY LTD <THE WTL A/C> | 17,416,599 | 0.96 |
| 14 | KEONG LIM PTY LIMITED <SK LIM FAMILY A/C> | 14,804,487 | 0.81 |
| 15 | ORBIT DRILLING PTY LTD | 13,988,889 | 0.77 |
| 16 | MR CHARLIE JR TESORO TULIN | 13,917,000 | 0.77 |
| 17 | MR JON FAZZALORI | 13,885,888 | 0.76 |
| 18 | CAULDRON ENERGY LIMITED | 10,416,667 | 0.57 |
| 19 | MR JING SHA + MRS ZIN ZHANG <NOBLE ART A/C> | 9,997,029 | 0.55 |
| 20 | MR DANIEL LANGDON SPRING | 9,000,000 | 0.50 |
| | | 1,156,329,594 | 63.65 |

ADDITIONAL STOCK EXCHANGE INFORMATION

(c) Substantial shareholders

The names of the substantial shareholders in accordance with section 671B of the *Corporations Act* at 25 September 2020 are as follows:

| | | Number as per the Notice | % held of Issued Capital at the time of Notice |
|---|---|-----------------------------|--|
| | Fully paid ordinary shareholders | | |
| 1 | J P MORGAN NOMINEES AUSTRALIA PTY LIMITED | 349,215,218 | 19.22 |
| 2 | FIRST INVESTMENTS HOLDING LIMITED | 160,678,538 | 8.84 |
| 3 | GULF ENERGY INTERNATIONAL LIMITED | 117,500,000 | 6.47 |
| 4 | OKEWOOD PTY LTD | 116,016,676 | 6.39 |

(d) 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.

(e) Unquoted securities

At 25 September 2020 the Company has 31,200,000 unlisted options and nil performance rights of issue.

The names of security holders holding more than 20% of an unlisted class of security are listed below:

| Name | Unlisted Options Exercisable at \$0.03 Expiring 30 June 2021 | Unlisted Options Exercisable at \$0.05 Expiring 13 December 2020 | Unlisted Options Exercisable at \$0.006 Expiring 30 June 2023 |
|--------------------------------|--|--|---|
| Gulf Energy International Ltd | 15,000,000 | - | - |
| Wolfgang Steubing AG | - | 3,000,000 | - |
| Alexander Caspary | - | 2,000,000 | - |
| Rotherwood Enterprises Pty Ltd | - | - | 10,000,000 |
| Holders < 20% | - | - | 1,200,000 |
| | 15,000,000 | 5,000,000 | 11,200,000 |

ADDITIONAL STOCK EXCHANGE INFORMATION

Schedule of Mineral Tenements Held at 30 June 2020

| Tenement | Project & Location | Interest |
|-----------------------------|----------------------------|----------|
| Kukuna Project - EL 22/2012 | Kukuna – Sierra Leone | 100% |
| ML 90098 ¹ | Wee MacGregor - Queensland | 100% |
| ML 2504 ¹ | Wee MacGregor - Queensland | 100% |
| ML 2771 | Wee MacGregor - Queensland | 100% |
| ML 2773 ¹ | Wee MacGregor - Queensland | 100% |

¹ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details.



www.capelam.com.au

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