

28 April 2017

ASX Release

ASX Code: CXX

March 2017 Quarterly Activity Report

Highlights

- Cradle and Tremont entered into a Scheme Implementation Agreement under which Tremont will acquire all of the issued share capital in Cradle by way of a Scheme of Arrangement
- Under the Scheme, Cradle shareholders will receive cash consideration of A\$0.33 per share, which values Cradle at approximately A\$55.0 million
- The cash offer of A\$0.33 per share represents a 43.5% premium to the last closing price of Cradle and a 37.3% premium to the 20 day VWAP of Cradle prior to announcement of the Scheme
- The cash consideration provides an opportunity for Cradle shareholders to realise immediate value for their Cradle shares
- Tremont is Cradle's 50/50 joint venture partner in the Panda Hill Niobium Project, and is backed by Denham Capital, a leading energy and resources global private equity firm

PERTH, Western Australia – 28 April 2017: Cradle Resources Limited ("Cradle" or "Company") (ASX: CXX) is pleased to its quarterly report for the period ended 31 March 2017.

PROPOSED SCHEME WITH TREMONT

On 10 March 2017, announced that it had received an all-cash offer from Tremont Investments Limited ("**Tremont**"), its 50/50 joint venture partner in the Panda Hill Niobium Project, to acquire all of the issued shares of Cradle for A\$0.33 per share (the "**Offer Price**") via scheme of arrangement (the "**Scheme**") under the Australian Corporations Act. This values Cradle at approximately A\$55.0 million.

The Offer Price of A\$0.33 per share represents a 43.5% premium to the last closing price and a 37.3% premium to the 20 day VWAP of Cradle shares on the ASX.

Tremont is backed by Denham Capital, an energy and resources private equity firm which sponsors experienced mining management teams. Tremont already holds an approximate 19.6% of Cradle shares. Accordingly, this transaction will increase Tremont's effective interest/underlying ownership in the Panda Hill Niobium Project from 59.8% to 100%.

The cash offer enables Cradle shareholders to realise immediate value for their Cradle shares and reflects the size, strategic nature and development potential of the Panda Hill Niobium Project.

Board Recommendation

The Directors of Cradle unanimously recommend that Cradle shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to the independent expert concluding that the Scheme is in the best interests of Cradle shareholders. Subject to those same qualifications, each Director of Cradle intends to vote all Cradle shares they hold or control (including any proxies given at their discretion) in favour of the Scheme.

Directors of Cradle and other substantial shareholders of Cradle (Arredo Pty Ltd, Aviemore Capital Pty Ltd, Alba Capital Pty Ltd, Mr Brett & Michelle Mitchell, and Edwards Family Holdings Ltd), holding in aggregate 45.5% of the voting shares, have stated their present intention to vote, or procure the voting of, all of the shares held by them or on their behalf at the time of the Scheme meeting in favour of the Scheme, in the absence of a superior proposal. This voting intention statement is not an agreement with Cradle and does not prevent the directors of Cradle or the other substantial shareholders of Cradle from disposing of their Cradle shares.

Transaction Terms

Cradle and Tremont have entered into a Scheme Implementation Agreement (“SIA”) under which Cradle has agreed to propose the Scheme between Cradle and its shareholders for the acquisition of all Cradle shares by Tremont for cash consideration of A\$0.33 per Cradle share.

The Scheme is subject to a number of conditions including Cradle shareholder and Federal Court of Australia approval, regulatory approvals, including FIRB and the FCC¹, and no material adverse change or prescribed occurrences. The Scheme is not conditional on due diligence or finance. Tremont will fund the total cash consideration using existing cash reserves and entitlements to cash pursuant to funding arrangements entered into with Denham Capital.

The SIA contains customary exclusivity provisions including no shop and no talk restrictions, a notification obligation and a matching right, subject to Cradle Directors’ fiduciary and statutory obligations. The SIA also details the circumstances under which a US\$750,000 break fee may be payable by Cradle to Tremont.

Scheme Booklet and Timetable

The Company is currently preparing a Scheme Booklet for shareholders and has commissioned BDO Corporate Finance (WA) Pty Ltd to provide an independent expert’s report on the Scheme. Both documents will be filed with ASIC for review before being dispatched to shareholders.

A meeting of Cradle shareholders to consider the Scheme is expected to be held in June 2017 and the Scheme is expected to be implemented shortly thereafter. The Company will provide a further update on the indicative Scheme timetable once the first Court hearing date is confirmed.

¹ Foreign Investment Review Board (Australia); and Fair Competition Commission (Tanzania), respectively.

PANDA HILL NIOBIUM PROJECT

The Panda Hill Niobium Project (Figure 1) is located in the Mbeya region in south western Tanzania, approximately 680km west of the capital Dar es Salaam. The industrial city of Mbeya is situated only 26km from the project area and has a population of approximately 280,000 people. The Project is located near the main highway to the capital Dar es Salaam and in close proximity to the Songwe Airport which has regular domestic flights from Dar es Salaam and plans for regional expansion.

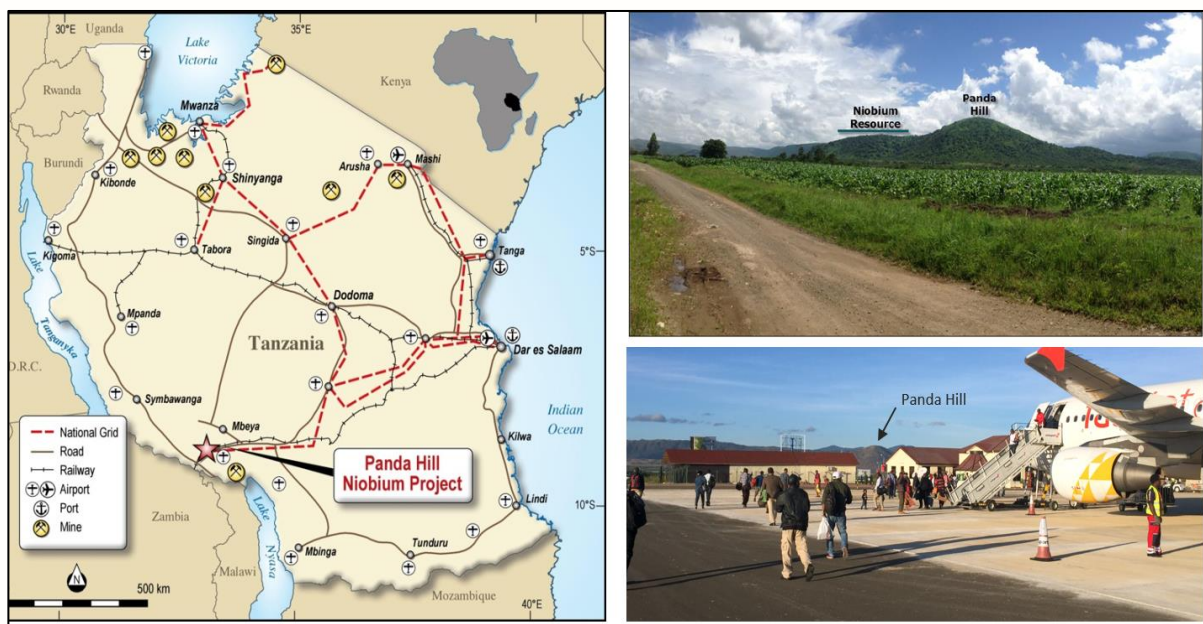


Figure 1: Location of the Panda Hill Niobium Project

The Project is covered by three granted Mining Licences (Figure 2) totalling 22.1km², which will enable a quick transition from the study and development phases, through construction and into operation. The area has excellent access to infrastructure, with existing roads, rail, airports and power available in close proximity. The three granted Mining Licences were all renewed during the December 2015 quarter for a further 10-year period (valid until November 2026).

During the quarter, the Company and Tremont continued its marketing and offtake discussions with parties who cover the major regions associated with the niobium market.

During the quarter, the Company and Tremont continued its debt funding discussions with a leading European bank and continued with various work streams to enable the potential debt arranger to complete project due diligence work and credit approval for a possible loan facility.

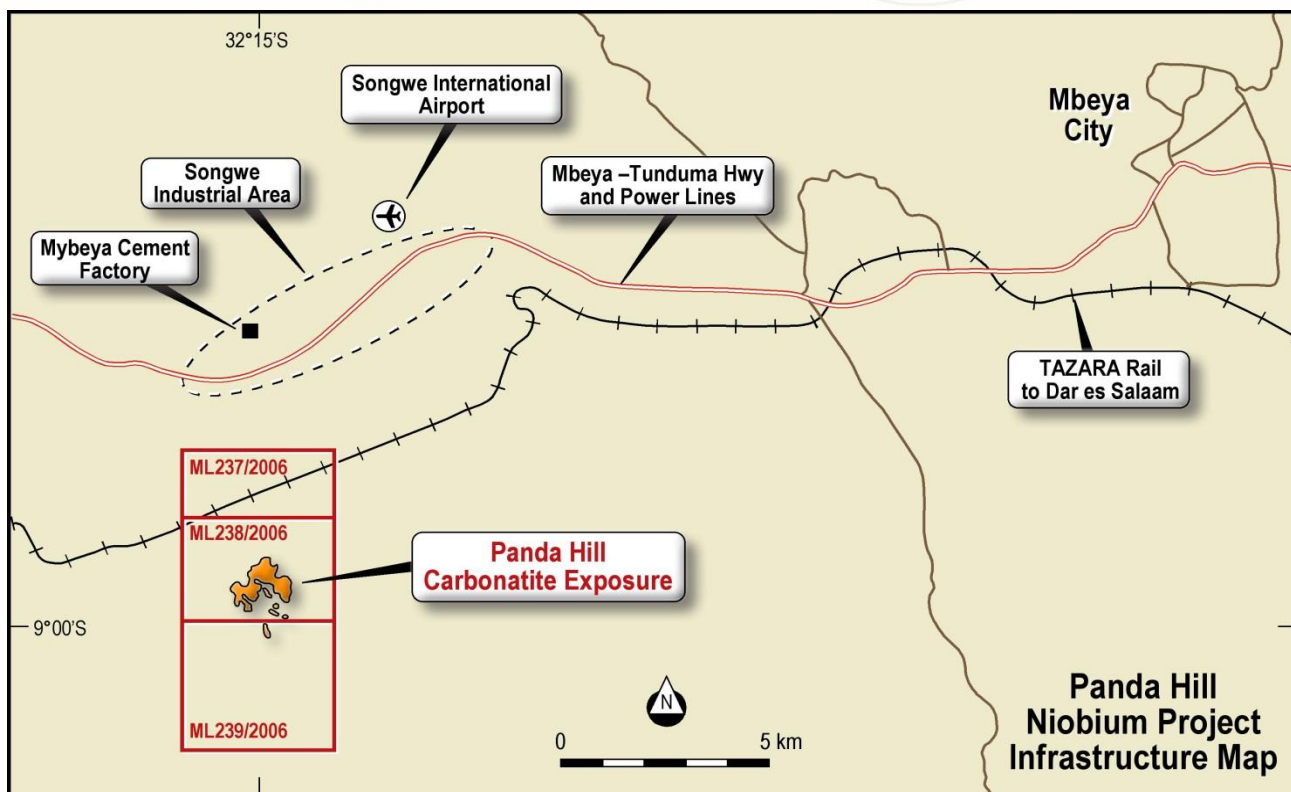


Figure 2: Mining Licences and Local Infrastructure

Tenement Summary

As at 31 December 2016, PHT, the joint venture company owned 50% by Cradle and 50% by Tremont Investments Limited, held the following interests in tenements:

Project	Tenement Number	Percentage Interest
Panda Hill Niobium, Tanzania	ML237/2006	100%
Panda Hill Niobium, Tanzania	ML238/2006	100%
Panda Hill Niobium, Tanzania	ML239/2006	100%

Competent Person's Statement

The information in this document relating to the Panda Hill Mineral Ore Reserve is extracted from the announcement entitled 'ORE RESERVES FOR PANDA HILL DECLARED' dated 12 June 2016 and is available to view on www.cradleresources.com.au. The information in this document relating to the Panda Hill Definitive Feasibility Study is extracted from the announcement entitled 'DEFINITIVE FEASIBILITY STUDY ON PANDA HILL' dated 20 April 2016 and is available to view on www.cradleresources.com.au. The information in this document relating to the Panda Hill Mineral Resources is extracted from the announcement entitled 'Significant Resource Upgrade for Panda Hill Niobium Project' dated 30 April 2015 and is available to view on www.cradleresources.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that, in the case of Mineral Resources or Ore Reserves, all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

By order of the Board

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

CRADLE RESOURCES LIMITED (ASX CODE: CXX)

ABN

60 149 637 016

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(488)	(2,813)
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(239)	(973)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	19
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (reclaim of exploration & evaluation costs)	-	69
1.9 Net cash from / (used in) operating activities	(722)	(3,698)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	(61)
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(61)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(38)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Monies held for onsite cash spend)	6	(4)
3.10	Net cash from / (used in) financing activities	6	(42)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,494	5,571
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(722)	(3,698)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(61)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	6	(42)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(60)	52
4.6	Cash and cash equivalents at end of period	1,718	1,718

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,718	2,494
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,718	2,494

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
21
-

Directors' fees and corporate administrative reimbursements

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available

Add notes as necessary for an understanding of the position

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-

NIL

9. Estimated cash outflows for next quarter

\$A'000

9.1 Exploration and evaluation

9.2 Development

9.3 Production

9.4 Staff costs

9.5 Administration and corporate costs

9.6 Other (provide details if material):

(a) Scheme transaction costs

9.7 Total estimated cash outflows

-
-
-
50
200
500
750

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:
(Company Secretary)

Date: 28 April 2017

Print name: Greg Swan

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.